

AR07



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Summary of Significant Facts

	Year ended December 31	
	1972	1971*
EARNINGS		
Income		
Sales of products and services	\$964,189,597	\$776,777,224
Other income	3,723,435	2,345,751
Total income	<u>\$967,913,032</u>	<u>\$779,122,975</u>
Earnings before income taxes, minority interests and extraordinary items	\$ 67,799,698	\$ 39,142,617
Net earnings after income taxes, minority interests and extraordinary items		
Amount	\$ 37,658,562	\$ 25,469,025
Per share before extraordinary items	\$ 1.68	\$ 1.06
Per share after extraordinary items	\$ 1.80	\$ 1.22
Charge for		
Depreciation	\$ 39,266,783	\$ 38,025,919
Depletion	5,200,574	5,840,690
Amortization of logging roads	5,357,673	6,127,116
	<u>\$ 49,825,030</u>	<u>\$ 49,993,725</u>
Earnings retained in business at end of year	\$243,382,531	\$226,678,243
BASIC CASH FLOW		
Amount	\$ 91,277,103	\$ 70,183,476
Per share	\$ 4.37	\$ 3.36
CAPITAL EXPENDITURES	\$ 60,864,748	\$ 33,721,296
PERCENTAGE OF LONG TERM DEBT TO TOTAL CAPITAL EMPLOYED	33.7	36.8
DIVIDENDS		
Cash—Ordinary shares		
Amount	\$ 20,876,385	\$ 10,438,191
Per share	\$ 1.00	\$.50
Cash—Preference shares		
Amount	\$ 77,889	\$ 77,889
Per share	\$.03	\$.03
EMPLOYEES		
Wages, salaries and employee benefits	\$231,404,789	\$210,630,593
Number at end of year	23,136	21,036
SHAREHOLDERS		
Number at end of year**	19,125	20,124

*Certain figures have been restated to effect the full consolidation of overseas subsidiaries.

**Excluding holders of share warrants.

Directors' Report to the Shareholders

The net earnings of MacMillan Bloedel Limited in the year 1972 amounted to \$37,658,562 or \$1.80 per share as compared to \$25,469,025 or \$1.22 per share in 1971. The figures for both years include certain amounts classified as extraordinary items which will be mentioned later in this report.

The substantial increase in profit from the low level of 1971 and the still lower level in 1970 reflects the general recovery in demand for the company's products in world markets. Almost all categories of the company's activities contributed to the achievement of a record of sales and other income in 1972 amounting to \$967,913,032 as compared to the 1971

total of \$779,122,975*. In particular, the strong demand in Canada and the United States for lumber and plywood, combined with improved world markets for linerboard and packaging products, gave rise to significant increases in volume of sales and profit.

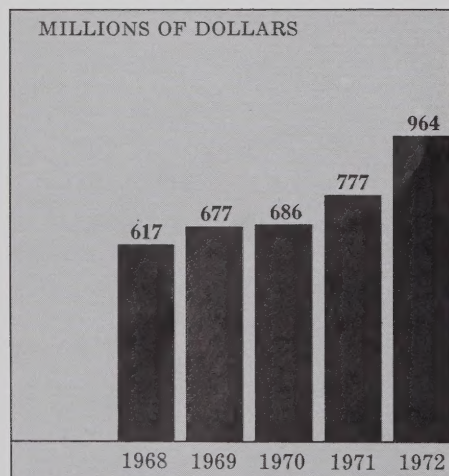
Efforts to take full advantage of improved markets were hampered, however, by curtailment of log production in British Columbia. This was due in large part to the action of a dissident group of fallers who, although members of the International Woodworkers of America, desired to negotiate an agreement separately from their union. Profit growth was similarly inhibited by substantial in-

creases in the cost of labour and supplies which affected all operations. Thus, while 1972 earnings represented a welcome improvement over the two preceding poor years, they produced a return of only 5.9% on the total capital invested in the company, which cannot be regarded as a satisfactory return considering the investment risk involved. It is only with the co-operation of government and labour that the forest industry of British Columbia can hope to achieve a better return which will attract new capital with a resultant increase in employment.

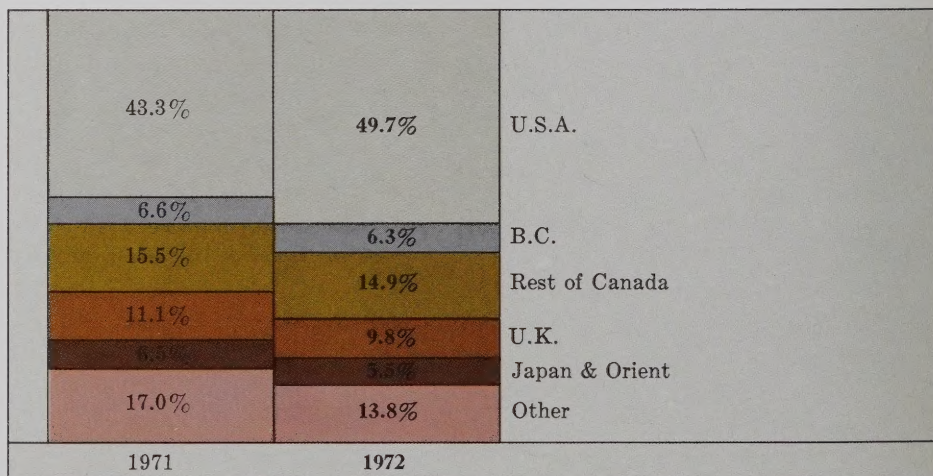
More specific comments relating to the company's operations follow:

*Comparative figures for 1971 and other years have been restated in the comments and charts throughout this report, see page 10.

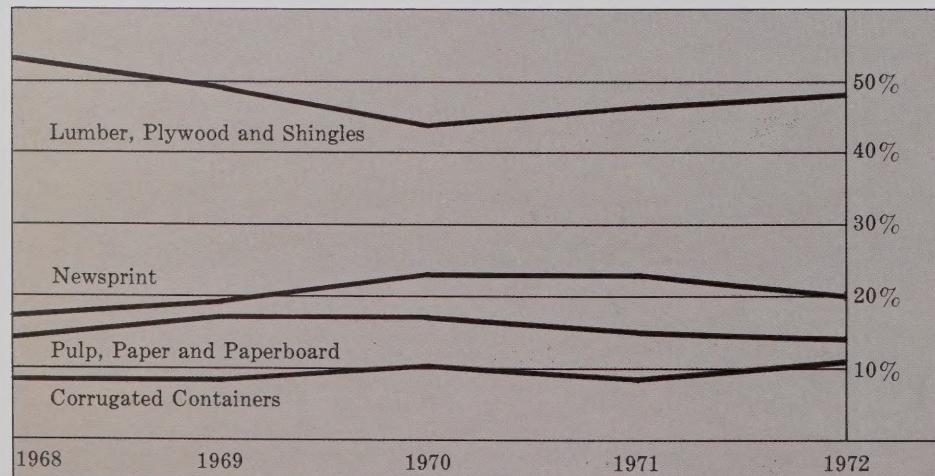
1. Sales of Products and Services



2. Sales of Products by Markets



3. Percentage Contribution to Sales by Products



4. Distribution of Total Income

	1971	1972
Purchases of Goods, Supplies and Services	59.3%	62.2%
Wages, Salaries and Employee Benefits	27.0%	23.9%
Federal, Provincial and Municipal Direct Taxes	4.8%	5.2%
Depreciation, Depletion and Amortization	6.4%	5.1%
Minority Interests in Subsidiaries (net)	(.4%)	—
Dividends	1.4%	2.2%
Earnings Retained (excluding extraordinary items)	1.5%	1.4%
	100.0%	100.0%

1972 marked the tenth anniversary of the company's intensive forestry programme which is designed to improve the quality and the rate of new growth of forests. The company's total forestry treatment activities have resulted in the planting of over 81 million trees since 1938. The rate has been greatly accelerated in recent years.

Over the years a number of different planting techniques have been developed with the aim of increasing the survival rate of the seedlings and improving the productivity of the planting operation. Until recently, however, it has not been possible to carry out large-scale planting of hemlock on an economic basis, and although Douglas Fir has been used quite successfully to reforest areas particularly suitable for hemlock, better yields would result from the planting of hemlock in such regions. In 1972, the company began using as an operational procedure a new technique for the reforestation of hemlock and certain other species which involves the cultivation of seeds in specially designed styrofoam containers which in turn permit rapid planting of the seedlings with a protective envelope of soil surrounding the roots. The use of this procedure is expected to increase materially in the future as the new type of nursery capacity is established.

The company has under consideration a large-scale aerial fertilization programme for the new forests. Some segments of the forest industry in the northwestern United States have adopted this technique but where soil conditions vary materially, as is the case with the timberlands managed by MacMillan Bloedel, extensive testing over a lengthy period of time is necessary in order to ensure that a full-scale operation would not prove to be inefficient or inordinately costly. The company continued experiments in this field during the year including testing the use of helicopters rather

than fixed wing aircraft for spreading fertilizers. The operating experience and cost data provided will complement the long-term experimental growth response data which the company has been accumulating preparatory to embarking on an anticipated full-scale aerial fertilization programme.

The budworm infestation of hemlock and balsam trees on Vancouver Island to which reference was made in last year's Annual Report has reached quite serious proportions and about 100,000 acres of MacMillan Bloedel managed lands are now affected. Widespread killing of timber through extreme defoliation can occur from a blackheaded budworm epidemic. Attempts to control the outbreak have so far concentrated on methods other than chemical spraying. However, the chain of events which can follow from massive epidemics, such as increased fire hazard and the interference with multiple use of land, are sufficiently serious that spraying may yet have to be undertaken following, of course, appropriate consultation with the responsible governmental authorities.

Logging

A number of factors combined to make 1972 a most difficult year. During the first four months unusually deep snow conditions at higher elevations made efficient operations virtually impossible. At the same time, production from timber located at lower levels was curtailed as a result of work slow-downs initiated by the dissident fallers' group. As the winter ended, wildcat strikes shut down several logging divisions prior to the closing down of all operations when the parent union struck on June 26. Despite the fact that a new contract was signed sixteen days later, many fallers did not return to work until

mid-August. In addition to a general wage settlement the contract reflected an agreement with the union to change the concept of fallers' earnings from a piece-work basis to an hourly rate. The change in the basis of their earnings was imperative in order to improve the quality of production. Such improvement is now being achieved.

As a result of these difficulties in the forest operations, the company's log production in British Columbia during 1972 was only 261 million cubic feet, the lowest in many years, and far below the 1969 figure of 335 million cubic feet.

In order to maintain the supply of logs for the converting mills, attempts were made to increase purchases of logs on the open market not only on the British Columbia coast but also in the Interior and from the United States. Open market logs, however, were in short supply since most of the other forest industry companies in British Columbia were in the same difficulty as MacMillan Bloedel for the same reasons. Intensive buyer competition forced log prices to record levels and failure to meet the requirements of the converting facilities through these open market actions resulted in closures at several locations.

Following resumption of normal activities in the woods every possible measure was taken to restore log inventories to normal operating levels. Operating costs, however, rose markedly and inefficiencies associated with low inventories of logs in the woods proved very expensive. The combination of higher cost elements and stumpage rates associated with high log prices far exceeded the improved productivity which was ultimately realized in the last quarter of the year by reason of improved practices in the woods. Stumpage rates, in fact, rose 48% on average during the year.

It is anticipated that a sustained production effort and the more fa-

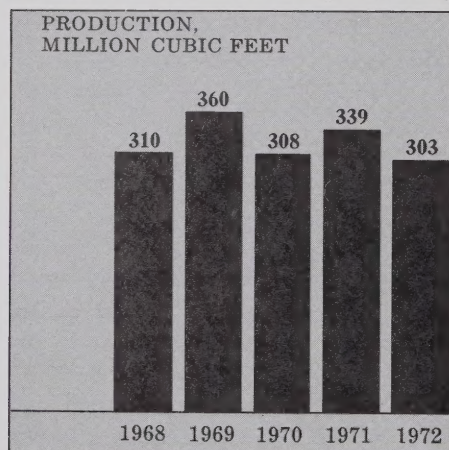
Building Materials

Logging (continued)

favourable labour climate under the new agreement will result in restoration of an appropriate balance during 1973.

Forest fires were not a problem in 1972 and only minor fire fighting costs were incurred.

5. Logs (B.C. and other operations)



Building Materials

The recovery in the demand for lumber and plywood and other building materials which started in the latter half of 1971 continued throughout 1972. Gross revenues from the company's Building Materials operations in 1972 increased by approximately 29% over 1971 levels. The increase would have been substantially greater but for loss of production resulting from log shortages.

During 1972 a new distribution centre was opened in Dartmouth, Nova Scotia. The Canada Building Materials and Blanchard Lumber marketing divisions now operate 29 warehouses across Canada and 7 in the United States for the sale of building materials. The performance of these marketing divisions was a key element in the success of the company's Building Materials operations in 1972. Their field organizations were expanded during the year and geographic and marketing strategies

were improved.

The contracts under which the company sells lumber, plywood and shingles manufactured by British Columbia Forest Products Limited and lumber produced by Sooke Forest Products Limited, Acorn Forest Products Limited and River Sawmills Company, continued to operate in 1972 to the satisfaction of all parties concerned and, in addition, MacMillan Bloedel was appointed sales agent in 1972 for Triangle Pacific Forest Products Ltd., New Westminster, British Columbia, and Meadow Lake Sawmills Company Limited, Meadow Lake, Saskatchewan.

Production and market experience with respect to individual products in 1972 may be summarized as follows:

Lumber

The company's lumber production volumes for reasons already mentioned were 7% lower than in 1971 but sales volumes actually increased by 12% as higher contract sales more than offset the lower plant utilization. Shipments to Japan and the United Kingdom were less than last year as lumber was diverted to the United States where demand and sales prices were strong throughout the year. Continued improvement in wood recovery practices in the sawmills during the year reduced to some extent the impact of increasing manufacturing costs.

Lumber Specialties

Plant additions in the latter part of the year doubled the capacity of the Mainland Processing Division which manufactures many lumber specialties to customer specifications. This is in keeping with the company's policy of upgrading the value of basic lumber production by further processing wherever economically feasible.

Shingles

Production and sales volumes were approximately 30% lower than in

1971 due to a continuing work stoppage at the company's Red Band Mill in Vancouver. This stoppage arose as a result of the employees at this particular mill refusing to accept the wage settlement made between the company and the union. However, price levels for production of the Port Alberni Shingle Mill were considerably higher than those prevailing in 1971, reflecting in part the imbalance in supply and demand caused by the Red Band closure.

Plywood

Demand was very strong in all markets throughout the year resulting in a steady strengthening of prices. Unfortunately, the previously mentioned sixteen-day strike by the International Woodworkers of America union members prevented capacity operations and also disrupted shipping schedules to overseas customers. However, by reducing inventories and as a result of increased sales of plywood manufactured by one of the companies for which MacMillan Bloedel acts as agent, the company was able to maintain plywood shipment volumes at high levels which actually exceeded those of 1971 by 13%.

Aspenite Panels

Strong market demand enabled the plant at Hudson Bay, Saskatchewan, to operate at capacity for the full year and a steady increase in sales was experienced. Shipments were 4% higher than in 1971 with approximately 88% of the volume being consumed in Canada and the balance in the midwestern United States. The recent expansion of this plant has produced very satisfactory results.

Particleboard

Notwithstanding keen competition from imported board from the United States, the company's particleboard operations enjoyed a successful year. Canadian particleboard consumption

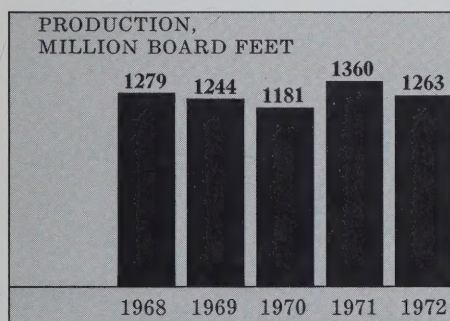
increased substantially and production of the company's k3 board was readily sold at improved price levels.

Specialty Boards

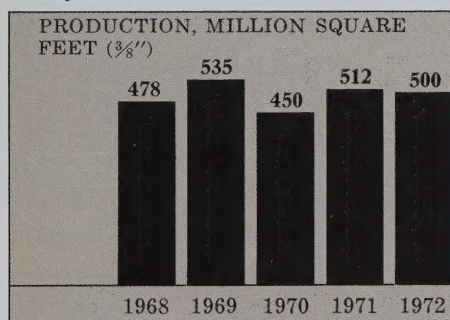
Shipments of Panelboard Specialties showed an encouraging increase of 24% over the 1971 volume, with the coated concrete form panels, Sylvacote, Plygard and Uraply, continuing to hold a major share of the Canadian market.

Graphs numbered 6 to 9 on this page show additional details of Building Materials production and sales.

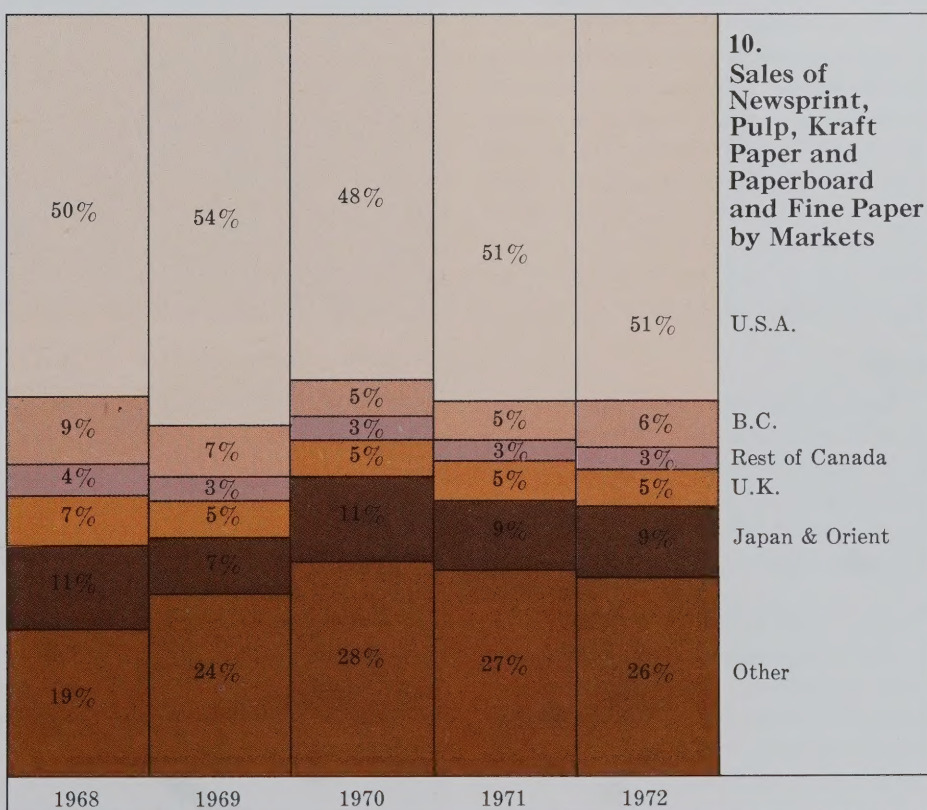
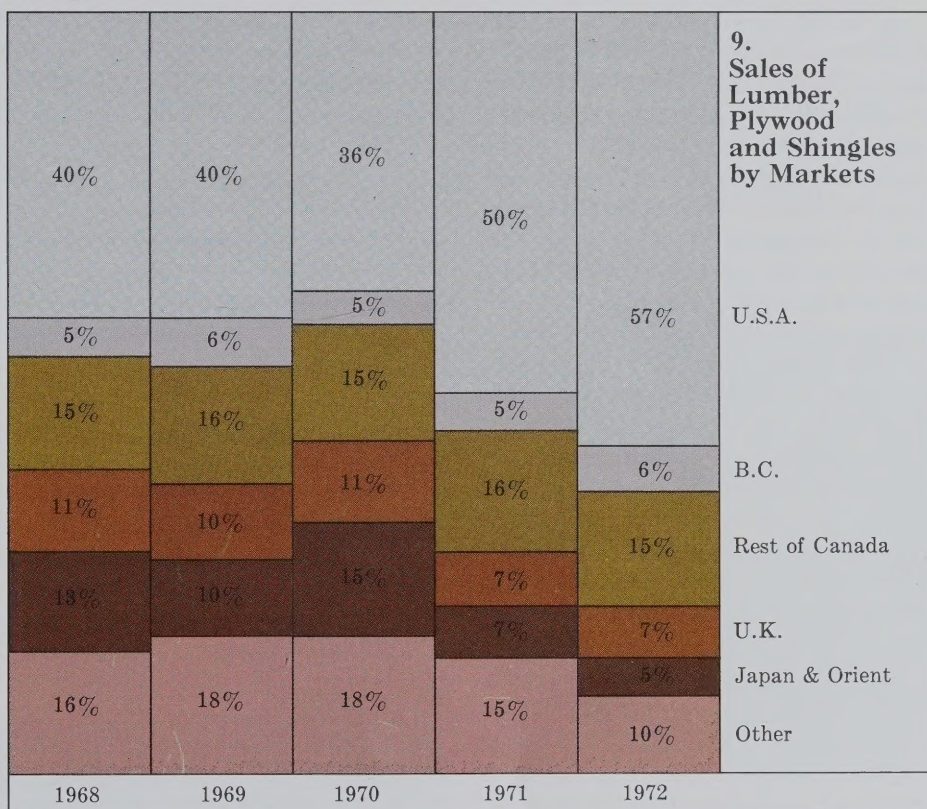
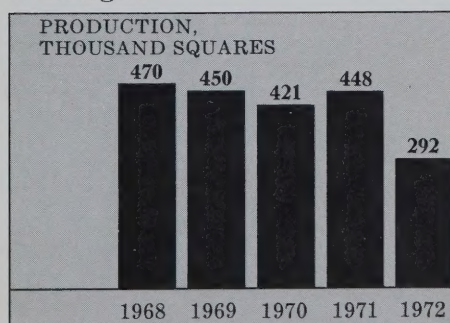
6. Lumber



7. Plywood



8. Shingles



Pulp and Paper

In general terms, the demand for pulp and paper products strengthened in 1972. Linerboard prices in world markets followed a firming trend as did newsprint prices in the western region market of the United States. Despite the overall favourable trend, productivity and price improvements were insufficient to compensate for significant cost increases. Moreover, the log shortage previously mentioned caused a production loss of some 80,000 tons of pulp and paper. An illegal work stoppage by the Pulp and Paper Workers of Canada at the Harmac Mill also resulted in approximately 10,000 tons of lost pulp production.

Newsprint

Shipments of newsprint from the company's British Columbia mills were slightly under 1971 levels. However, increased production from the two machines at the MacMillan Rothesay plant in New Brunswick enabled that company to ship 28% more newsprint than in 1971 thus increasing its share of the eastern United States market. The two-barge system operated along the eastern seaboard by MacMillan Rothesay has proved successful both with respect to distribution and to marketing. Newsprint price increases took effect early in 1972 and in the western region remained firm throughout the year.

Pulp

Despite the continued world oversupply situation for kraft pulp, the company's shipments of this product increased over 1971. Prices, however, were lower in all markets than in the previous year.

Kraft Paper and Paperboard

Demand for kraft paper and paperboard remained steady in western Canada and the United Kingdom and the linerboard machine at Port Alberni operated at capacity.

Linerboard in the United States

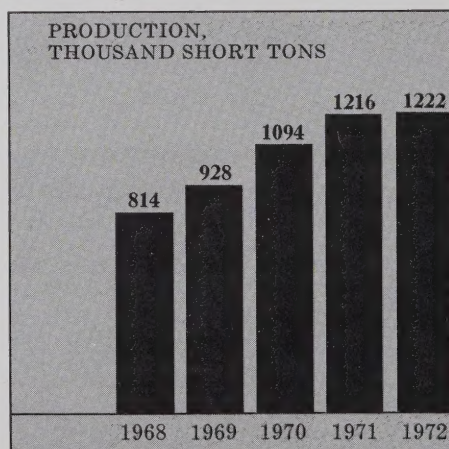
was in short supply throughout the year and the Alabama production and sales volumes were 14% higher than in 1971. Prices in all markets increased during 1972.

Fine Paper

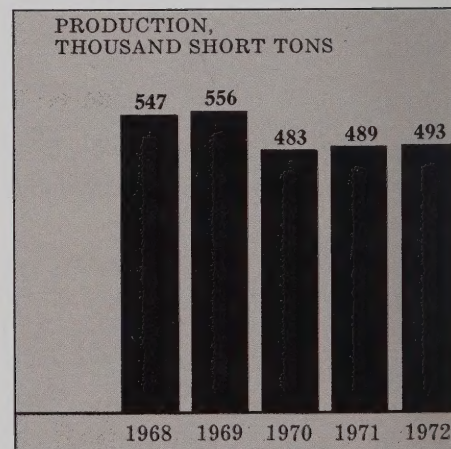
Fine paper production and sales volumes of the Annacis Island plant improved somewhat over 1971 and prices in Canada showed moderate increases.

The five-year comparative graphs of sales and production of the pulp and paper operations are displayed on pages 5 and 6.

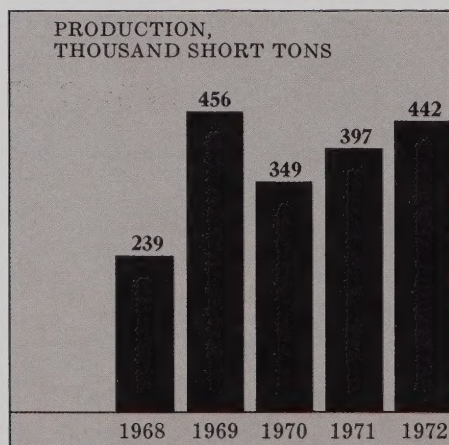
11. Newsprint



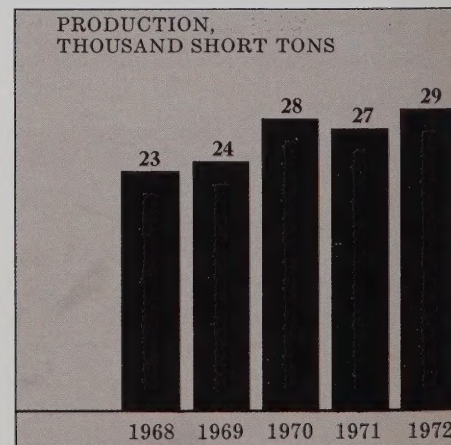
12. Pulp



13. Kraft Paper and Paperboard



14. Fine Paper



Packaging

During 1972 the company's packaging operations continued to achieve a steady growth in sales. The total increase over 1971 was 46%, about three-quarters of which is attributable to the acquisition of ten packaging plants from The Flintkote Company in the United States. The consolidated sales figure reflects shipments from these plants commencing from the date of acquisition on June 16, 1972.

Some details of the year's operations in various regions and plants are given below.

Canadian Operations

Corrugated container sales from the Calgary, Edmonton, Regina and Winnipeg plants increased by over \$1 million, reflecting a strengthening market in these areas. In British Columbia, however, competition was particularly keen and there was a moderate decrease in sales and profits at the New Westminster plant. The Folding Carton Division in Burnaby, despite only a marginal increase in sales, was able to achieve the highest profit level in the plant's history as a result of improved product mix and production efficiencies. At the Bag and Specialty Division, the introduction of new coloured paper bags helped to bring about significant increases in the sale of notion and millinery bags which in turn resulted in a higher earnings performance at the Division.

United States Operations

The Flintkote acquisition mentioned earlier represents a most important expansion in MacMillan Bloedel's packaging operations. The company's packaging operations in Canada and the United Kingdom have proved to be very satisfactory, but it is not feasible to market packaging products at any great distance from the point of manufacture. The ten newly acquired plants, along with the two already owned in Maryland and New Jersey, provide ample op-

portunity, therefore, for the company to apply its considerable experience in the packaging field to the broader scope of the United States market. At the same time, the raw material requirements of the plants will form a very important outlet for the liner-board production of the Alabama mill.

The plants in Maryland and New Jersey recorded increased sales in 1972, due, in large measure, to higher sales in the order of \$2 million resulting from the consolidation of the former plant at Baltimore with the facility at Odenton, Maryland, acquired from Hoerner Waldorf Corporation in 1971.

Despite buoyant conditions in the United States during much of 1972, profit margins were adversely affected by restrictions imposed by the Federal Price Commission. In addition, plant relocation costs of a non-recurring nature were incurred at Odenton because of the merger of the two plants referred to above.

United Kingdom Operations

The five corrugated container plants in Great Britain again had a successful year of operations. Despite strong competition, record sales were achieved and the new plants located at Weston-super-Mare and West Auckland showed satisfactory improvement over 1971. Overall, sales increased by 8%.

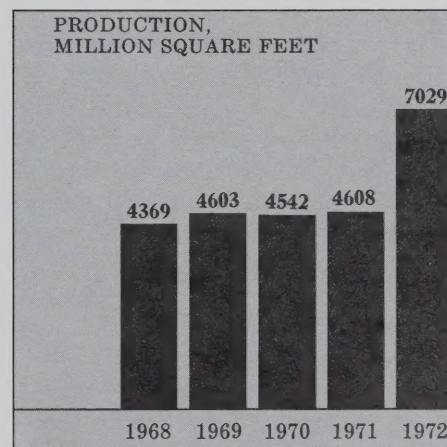
Diminished purchasing power of the British pound resulted in some increase in the cost of paper but this was offset by higher selling prices and lower production costs.

An expansion of the West Auckland facilities was completed in 1972 at a cost of \$1.3 million and 1973 sales from this plant are expected to increase as a result.

The entry of the United Kingdom into the European Common Market is not expected to give rise to any material increase in sales in the short term. However, a portion of the

plants' business relates to the packaging of goods exported from Britain and it is anticipated, therefore, that this volume of business will grow to the extent that hoped for increases in the United Kingdom export trade are realized.

15. Corrugated Containers



International

United States

The company's total investment in the United States has now reached very significant proportions. With its integrated linerboard, lumber and plywood mill in Alabama, its twelve packaging plants and its eleven wholesale building materials outlets, MacMillan Bloedel now carries on manufacturing or wholesaling in 18 states.

It is a source of satisfaction that after a number of difficult years, the operations in Alabama played a key part in the company's progress in 1972. Substantial increases in earnings were achieved by both the linerboard and the lumber and plywood activities.

United Kingdom

In addition to its important packaging activities, the company carries on an important operation in Great Britain in association with Montague L. Meyer Limited.

The joint venture company, MacMillan Bloedel Meyer Limited maintains two cargo terminals at Tilbury and Newport through which over 400,000 tons of products manufactured by MacMillan Bloedel and others were imported in 1972. A large percentage of these products were purchased by MacMillan Bloedel Meyer Limited for resale in the United Kingdom on a wholesale basis. The lumber wholesaling function of this subsidiary company provides MacMillan Bloedel with a most useful position in the United Kingdom market.

Far East

Through MacMillan Jardine Limited, a subsidiary company jointly owned with Jardine, Matheson & Co. Limited, MacMillan Bloedel is changing what has until recently been a sales agency relationship into a modest, but nevertheless expanding direct investment programme.

In Malaysia, MacMillan Jardine

holds a 30% interest in Mentiga Forest Products Sdn. Bhd. This company completed a second successful year of logging, and at Pekan in Pahang State, construction of a new plywood and blockboard plant is close to completion with operations expected to commence in the second quarter of 1973.

In Singapore, MacMillan Jardine has taken a participation in Malayan Timber and Trading Co. (Pte.) Ltd., a wholly-owned subsidiary of Montague L. Meyer Limited. This new association will provide a solid base for the expansion and diversification of MacMillan Jardine's hardwood marketing activities throughout the world.

More recently, in Indonesia, MacMillan Jardine has joined with United Africa Company (Timber) Limited, of London, England (a subsidiary of the Unilever organization), and an Indonesian partner, P. T. Samodra Gunadarma, to acquire a 250,000 acre timber concession on the east coast of Kalimantan. Logging operations will commence in the near future.

In conjunction with Jardine Matheson & Company (Australia) Pty. Limited, MacMillan Bloedel has an interest in two construction developments in Australia. The Northside Gardens project in Sydney, which consists of an office block and hotel building complex, will be completed by mid-year, and excavation for the second Sydney project, "Northpoint", commenced late in 1972. The latter project includes construction of a 40-storey office block and is scheduled for completion in 1975.

Europe

MacMillan Bloedel's investment in Koninklijke Nederlandsche Papierfabriek N.V. (Royal Dutch Paper Company), a rapidly expanding Dutch enterprise, has been an extremely satisfactory one over the seven years of its duration. 1972 figures indicate that production of

fine printing paper was up over 5.5% to 253,756 metric tons. This increase in production and the more profitable progress of subsidiary companies resulted in substantially higher profits for 1972. During the year, KNP acquired a Dutch company, Gelderland Tielens N.V., which brings to the KNP operation additional fine paper capacity as well as a significant position in the technical paper field.

In Spain, KNP and MacMillan Bloedel participate to the extent of 37½% each in the equity of Celupal S.A., a manufacturer of fine and coated papers located near Algeciras. Until recently the plant, because of indifferent domestic markets, had been operating at a loss. Commencing in early 1972, however, operations began to return a profit and the year as a whole provided an adequate return on the investment.

Environment

The extensive pollution abatement programmes which have been pursued on a company-wide scale for a number of years are achieving significant reductions in air and water emissions. The continuation of this programme involved expenditures in excess of \$5 million in 1972 and further expenditures for pollution control purposes will exceed another \$16 million over the near-term.

Major installations were completed in 1972 at the Powell River and Harmac plants. Completion of additional precipitator capacity at Harmac meets all government regulations relating to particulate emission and the programme has substantially reduced the level of discharges. The clarifier installation and the in-plant recycling improvement project at MacMillan Rothesay Limited was also completed in 1972.

All pulp and paper operations of the company have now established procedures involving chemical, physical and biological testing of ambient air and receiving water in order to permit the mills to monitor improvements accurately as each pollution abatement or control installation becomes operational.

The collection of effluent solids and particulate matter resulting from the company's pollution abatement work is contributing to the problems of solid waste disposal and studies to meet both the short and long-term needs in this respect have been intensified.

Three new senior members of the environment protection staff were appointed during the year including an oil pollution control officer who has special responsibility for guarding against the possibility of oil spills and for effecting the quick clean-up of any spills that might occur. There are now 31 persons engaged by the company on anti-pollution matters.

In addition to projects being carried out at the company's converting plants, environmental protection is

Transportation

receiving increasing emphasis in logging and forestry operations. Close working relationships are being maintained with the responsible governmental agencies and with public bodies to ensure that fish and wildlife, water quality and recreational values are preserved. Good progress has been made in integrating protective practices into operating plans and public acceptance and recognition of the company's efforts have been encouraging.

Transportation

During 1972 the company's Physical Distribution Department was reorganized so as to bring together under a single responsibility all of the company's very significant transportation activities. Over 2.9 million tons of products, the major portion of which was manufactured by MacMillan Bloedel and firms for which the company acts as sales agent, were carried in 1972 by Canadian Transport Company Limited, the company's shipping subsidiary.

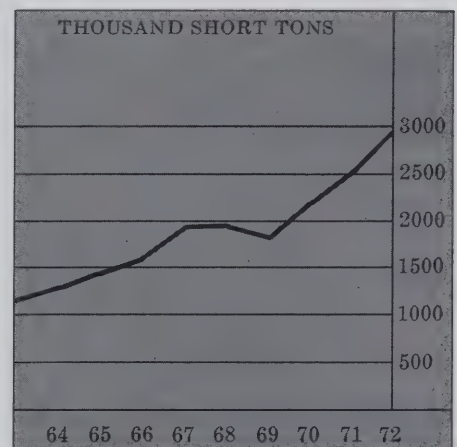
A major objective of the reorganization was the transformation of Canadian Transport Company Limited into a competitive shipping operation carrying cargoes other than

those of MacMillan Bloedel. Significant success was achieved with a 50% increase in the volume of outside cargoes carried. New services were established to the Mediterranean and to Latin America and a new office for the company was established in London, England. Another is to be opened in Tokyo this year.

The company has continued to develop the barge systems for transporting newsprint on both the east and west coasts. West coast shipments by barge have been well-established for seven years and the east coast system for transporting MacMillan Rothesay production from Saint John, New Brunswick to United States Atlantic coast ports became fully operational during the year with the delivery of a second barge.

Studies are under way through Oceanspan Carriers Limited, a joint venture with Furness Withy & Company Limited of London, England, to develop ship-owning and long-term charter opportunities utilizing the significant ocean freight requirements of MacMillan Bloedel production and Furness Withy's extensive experience in ocean trades to exploit back-haul opportunities. With the volume involved it is expected that significant savings can be achieved.

16. Outbound Cargo Carried by Canadian Transport Co. Ltd.



MacMillan Bloedel now employs over 23,000 people throughout the world. Of these over 16,000 are engaged in operations in British Columbia. The substantial increase over the figure of 19,188 as shown in last year's Annual Report is accounted for by the addition of over 1,800 United States employees who have joined the organization as a result of the Flintkote acquisition and also the inclusion for the first time in the report's statistical details of the persons employed by the company's overseas subsidiaries.

With the exception of purchases of goods, supplies and services, employment costs, amounting to \$231.4 million in 1972, are the most important expenditure incurred by the company and, as shown in table 4 on page 2, they absorbed 23.9% of the company's total income in 1972.

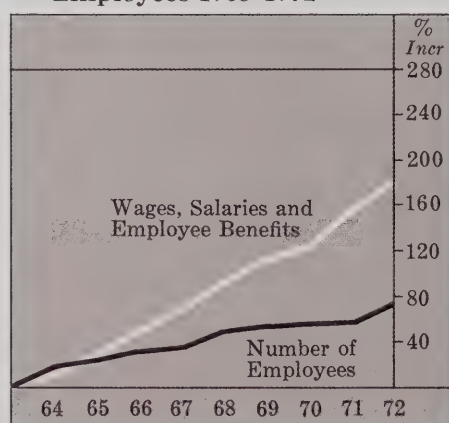
The contractual relations of the company with its many unionized employees are governed by a total of sixty-nine agreements. Seventeen of these agreements covering about 10,000 employees in North America were re-negotiated in 1972. The major one was that with the International Woodworkers of America representing over 8,000 employees in British Columbia. Other major agreements covering pulp and paper workers entered the last of their three-year terms and will be due for re-negotiation in 1973.

As the size of the company's labour force grows, ever greater efforts are required to diminish misunderstandings and to establish and maintain sound relationships between company and employees. One approach in this regard involves a programme of seminars in which economic and industrial relations matters are discussed in considerable depth. This programme was continued in 1972 and over 1,000 supervisors from 14 of the company's major operating divisions participated. In an important development of this activity, similar

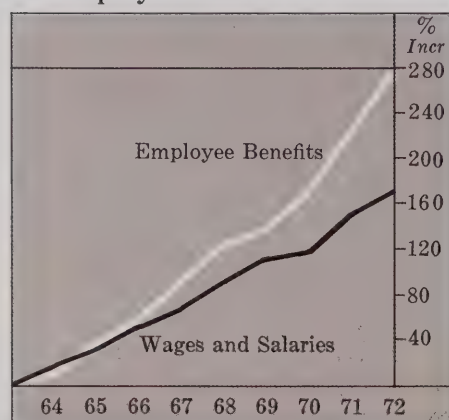
seminars were held during the year in which 900 hourly-paid employees of the Vancouver Plywood Division participated. It is planned to extend the programme to supervisory and hourly-paid employees of other company operations in 1973.

Employee benefits continue to represent an increasingly important portion of total employee remuneration and in 1972 the company assumed a larger share of health and welfare insurance costs. The graphs below illustrate how the costs of such benefits have grown in importance in recent years.

17. Percentage Increase of Wages, Salaries and Employee Benefits and Number of Employees 1963-1972



18. Percentage Increase of Wages and Salaries and Employee Benefits 1963-1972



As was pointed out in the Quarterly Report to the Shareholders dated April 25, 1972, the increasing importance of MacMillan Bloedel's overseas operations and the trend of accounting practice towards the full consolidation of subsidiary companies, has led to the decision to include in the consolidated financial statements of MacMillan Bloedel all the details of overseas subsidiaries' operations. In prior years the consolidation of the financial statements of subsidiaries outside North America was restricted to the inclusion of their net earnings. The comparative figures shown in this Report with respect to prior years have, therefore, been adjusted so that they also now reflect a full consolidation of all overseas subsidiaries.

As a result of the full consolidation, the Balance Sheet as at December 31, 1972 shows \$26,667,562 as the unallocated cost of shares in subsidiaries. This amount represents the value in excess of the recorded worth of the net assets of the businesses of three United Kingdom corrugating plants acquired on January 1, 1964.

The cash flow arising from the operations of the company in 1972 exceeded the year's capital expenditures and dividend payments and, in addition to funds derived from operational earnings, the working capital of the company was augmented during the year as a result of MacMillan Rothsay Limited issuing \$30 million of preferred shares. The proceeds of the issue were used to repay an equal amount of short-term bank borrowings.

The company's working capital thus increased from \$137,116,831 as at December 31, 1971 to \$162,029,463 at December 31, 1972. The ratio of current assets to current liabilities as at those dates also rose from 2.1:1 to 2.3:1.

The balance of tax losses accumulated by the Alabama and another subsidiary company's operations in prior years was applied to profits in

1972. The resultant reduction in income taxes of \$2,625,214 is recorded in the consolidated statement of earnings for the year ended December 31, 1972 as an extraordinary item as mentioned in the first paragraph of this report. Tax losses incurred by MacMillan Rothsay Limited are available to be carried forward to future years.

The overall rate of income taxes borne by the company's entire operations as shown by the statement of earnings for the 1972 year is 47.9% before taking into account extraordinary items. However, the combined rate of federal and provincial and B.C. logging taxes applicable to MacMillan Bloedel's British Columbia operations in 1972 totalled approximately 49.4%.

During the years 1964 to 1966 inclusive, the company issued tax-free dividends to its shareholders from tax-paid surplus. In those years the Canadian Income Tax Act did not allow a tax-free dividend to be paid in cash. The dividends took the form, therefore, of issues of 3% non-cumulative preference shares. Shortly after each dividend was issued the company offered to purchase for cash the 3% preferred shares and those which were so acquired were then cancelled. However, some of the shareholders found it advantageous to defer the redemption of their stock dividends and, as a result, a considerable number of the shares were not tendered to the company for purchase at that time and remained outstanding thereafter. On December 21, 1972, the company again offered to purchase for cash the outstanding 3% preference shares. Since that date all of the preferred shares have been purchased or redeemed.

Throughout much of the year, the Canadian dollar traded at or above par with the U.S. dollar. Since a very large proportion of the company's total production is sold in markets calling for payment in U.S. dollars,

the effect on net revenues as compared to a situation in which the Canadian dollar is trading at a discount is obviously damaging.

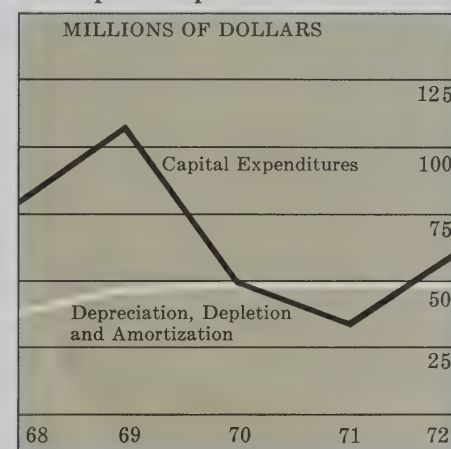
For each percentage point by which the Canadian dollar exceeds par the net after-tax effect on the company's profits is approximately \$1.8 million. International monetary conditions

remained unsettled throughout 1972 and prediction as to future strength or weakness of the Canadian dollar in international markets would be hazardous but undue strength in the Canadian dollar would have an adverse and perhaps lasting effect on the nation's export industries.

19. Distribution of Shares and Shareholders

As at December 29, 1972.		
	Shares	Shareholders
Canada.....	16,726,874	17,772
United States.....	3,632,376	1,106
United Kingdom.....	51,855	115
Other.....	65,788	132
	<u>20,476,893</u>	<u>19,125</u>
Share Warrants.....	399,492	
	<u>20,876,385</u>	
In regard to share warrants, it is estimated that 75% are held in the U.S.A. and 25% in Canada. The number of warrant holders is not known.		

20. Capital Expenditures



Capital Expenditures

The capital expenditures for the year are grouped under the following headings. The figure for Packaging includes the acquisition of ten packaging plants from The Flintkote Company.

Logging.....	\$13,811,048
Building Materials.....	7,030,792
Pulp and Paper.....	12,089,121
Packaging.....	27,558,145
Other.....	<u>375,642</u>
	<u>\$60,864,748</u>

Outlook for 1973

The recovery of the North American and European economies which has occurred over the past two years has been marred by the inability of the western world to control adequately the problem of inflation and for this reason it is difficult to foresee the duration of the recovery. Continuation of inflationary pressure is bound to be disadvantageous to the company and the effect of possible anti-inflationary measures upon the world markets for the company's products is unpredictable. In the United States, the impact of Phase III guidelines cannot yet be determined but the apparent relaxation of controls over prices and wages may give rise to renewed inflation. It is questionable, too, whether the steps taken by the British government recently are too late and are lacking in the necessary sanctions to put that country's economy into balance. There is some division of opinion regarding the wisdom of current Canadian policy to refrain from the imposition of controls but it is difficult to see how the persistent leapfrogging of cost and price increases can be stopped without the introduction of effective legislation.

Japan, another major market for the company's products, has problems unique to its quite exceptional pattern of growth over the past decade. There is, however, a disciplined approach to monetary and trade matters in Japan which, in many ways, has given that country a deserved advantage over its trading partners in recent years.

Subject to these uncertainties, however, it may be expected that demand for the full range of the company's products will continue at high levels in 1973. The periodic but non-coincident surges in demand for the various categories of forest products indicate the wisdom of integrating forest industry operations. They also illustrate, however, that a balance between the various degrees of pro-

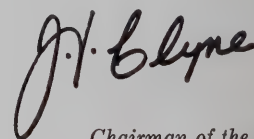
cessing the timber resource must be maintained. Thus, the recent and prolonged oversupply of pulp and newsprint and the wide-spread though cyclical demand for British Columbia wood products suggest that lumber and plywood operations should properly continue to represent a dominant use of the renewable resource for a considerable time to come. The result of following this policy to date has been that lumber and plywood operations accounted for almost half the company's sales in 1972.

Insofar as newsprint is concerned, the likelihood is that supply of this commodity will be increasingly short during 1973 and, with respect to the company's market pulp position, there are signs of strong recovery in world markets. The demand for linerboard, both in North America and in the United Kingdom, was satisfactory during 1972 and prospects are good for the current year. Packaging operations so far in 1973 have shown good results and there is every pros-

pect that this performance will hold up although price controls in the United Kingdom may have a dampening effect in that area.

The company's outlook for 1973 is, therefore, generally good but opportunities afforded by better markets cannot be realized unless production is maintained at high levels and the rate of increase in labour, tax and other costs abates.

As was mentioned in the Annual Report for 1971, the forest industry constitutes the principal economic foundation of British Columbia and it is only by the continuous close co-operation of management and employees that the industry can generate a stable source of income for employees, governments and shareholders. The Directors express their thanks to those employees of the company, both hourly and salaried, without whose hard work even the partial recovery of the company's earnings could not have been achieved.



Chairman of the Board

Vancouver, Canada
March 16, 1973

A Walk with a Forester



Through the eyes of a forester

A forester is a person with special eyes. He reads the forest the way you read this page, finding meaning in nature's signs and languages. A slight clearing through the salal and vanilla leaf — barely visible to most people — but a forester sees it as a game trail that deer and elk may follow to a stream.

A seedling pushing its way out of the duff that covers the forest floor is too small to attract the attention of most hikers, even woodsmen. But a forester sees it as a sign that a new crop of trees has been started by natural seeding.

Trees are the life work of foresters and MacMillan Bloedel, whose business is trees, employs several hundred specially-trained people to bring their professional knowledge into the forests managed by the company.

From the Chief Forester to the men in the foresters' planting crews, they are responsible for a programme that will maintain the forests as living, thriving crops of trees, year after year, century after century. These men know that if you cut more wood than can be replaced in a year, if you fail to nurture and protect future crops of trees, you are wasting a rich natural resource. And foresters know this is not necessary.

Foresters also know that there is more to a forest than merchantable timber and it is the job of MacMillan Bloedel foresters to protect streams and spawning beds, wildlife shelters and recreational areas as part of any good forest management plan.

The following pages will help you see the Coastal forests of British Columbia through the eyes of a forester. We think you will find it a fresh, and reassuring, view.



This is George Westarp, a man who farms a half-million-acre spread on Vancouver Island. Unlike most farmers, George will probably not be alive when his crops are harvested. He is a divisional forester for MacMillan Bloedel and the trees he plants will be tended and will grow on for about 80 years. But in all other respects George Westarp goes about his work in much the same way as any other modern, scientific farmer, and he has a farmer's respect for the soil he tends and the plants that grow in it.

George Westarp is typical of many MB foresters. He is young, bright and enthusiastic. Like so many others in his profession, he first chose his career because he liked the outdoors. He enjoys hunting and fishing. At school his strong subjects were English and history and it came as something of a shock to discover that forestry requires chemistry, math and physics. His reaction was, "What has all that got to do with trees?" Today he knows the answer is: plenty.

If you were to take a walk with forester George Westarp on a typical day, the first thing you would learn is that a walk with a forester is no stroll. He covers a lot of ground in a day.

As he heads his truck out of the divisional headquarters compound on a fine fall day, he passes a river estuary where five trumpeter swans are feeding. He notes that they are the first of more than a hundred that

would winter there. Close co-operation with federal and provincial fish and wildlife managers is part of his role as a forest manager. Planning for wildlife protection is not only part of his job but is very much a personal interest — particularly with the swans.

Driving into the forest from his office, George can look east across Johnstone Strait to Helmcken and Hardwicke Islands. Farther south there are vistas of Victoria Peak, Mount Adam, Kokummi Mountain. It is a domain of blue-black lakes, snowfields, icy streams and, on all sides, splendid stands of coastal conifers that are the hallmark of this part of British Columbia. An outdoorsman could hardly find a better place to work.

The scenes on the opposite page are part of the forest manager's world. Top, tiny seedling is evidence that a new forest is growing; lower left, vigorous forest grows in a verdant valley; centre, another valley presents a vista of old and new forest surrounding a harvested area; and, on the right, a view from within shows an overmature stand, its evolution summed up in the duff.

Duff is what a forester calls dead leaves, needles, branches, decaying trees, moss and other plant material which accumulates on the forest floor as the stand evolves from tiny plant life to seedlings, to mature, then overmature conifers. Their dense shade eventually inhibits growth on the forest floor which then provides little food for wildlife. When man harvests the wood, he opens the area and helps start the forest cycle again. If left alone, nature would do the same in time, harvesting overmature trees by fire, insect infestation or disease, bringing entire trees, sometimes whole forests, down to become part of the duff.



Harvester's choice

When he parks the truck off the main logging road and changes to caulked boots, George is ready to go to work. Work, to a forester, means finding a way to build new and better forests at the same time as selected stands of timber are harvested to keep the mills supplied with wood. Harvesting is part of the crop cycle and it is a forester's job to identify those sections of forest to be cut first.

It is established practice in managed forests to cut the oldest stands first — the mature and overmature timber where nearly all growth has stopped, where trees are especially susceptible to disease, insect attack, or wind damage. The forester identifies these stands from aerial photographs and maps, followed up by personal observation on the spot.

At one point in the woods he says, "This tree is heavily infected with mistletoe. And here's another. That tells me right away that we've got a problem with this stand. Much of the growth these trees might add now will be taken away by the parasite."

To the forester, there is nothing romantic about dwarf mistletoe. It is a pest that saps the strength of a valuable tree and leaves it vulnerable to disease and insect attack. It spreads from tree to tree until a stand is harvested.

When a forester finds areas where there is heavy infection by mistletoe, where there has been heavy damage from wind or snow, disease or insects, he recommends prompt logging to salvage the wood before it rots.

The forester takes a particular interest in a "thrifty mature" forest, a term used to describe a healthy forest that is less than 200 years old and still showing reasonable growth. Here the walking is easier because the trees are strong and vigorous, less subject to wind damage, and the forest floor is relatively clear of debris.

Where a stand is overmature, the wise course is to harvest. A thrifty mature stand presents options. It can be harvested. But it also can be left

for years to add growth; to provide a pocket wilderness or recreational area, especially where it is near a stream; to provide cover in winter for wildlife; or to help maintain the visual appeal of the area.

In one "thrifty" forest stand, George Westarp commented: "This stand borders between immature and thrifty mature. It's just about 100 years of age according to my test bores. There are few snags and downed trees and there is little disease. It's near a stream. There are signs of a game trail. It's accessible for recreation. It's adding growth and, in my opinion, is healthy enough to be left while nearby overmature stands are harvested and the new forest has time to get well established."

Development of long-range cutting plans are only part of the forester's job. Immediately after an area is logged another plan must be ready to take effect — a plan for the new crop. Here he is faced with a whole series of decisions that will determine the appearance of a new forest to be used and enjoyed by another generation of British Columbians.

First, he makes a preliminary inspection of a recently logged site. In some places he discovers a marvel of natural vigour. Unnoticed except to the educated eye will be tiny seedlings which may have sprung from seeds from adjacent timber stands, or, which were in the forest litter and survived the disturbance of logging. They are growing on a site where their parents thrived because the combination of soil nutrients, moisture and climate suited them.

The tiny seedlings will be checked regularly and their growth observed. The company's objective is to have 436 evenly-spaced seedlings per acre and, ideally, with a mixture of species that are well suited to the site. Where natural seeding doesn't do the job adequately soon after harvesting, George and his planting crews will give nature some help.

*Different forest features have different meanings to the forester. Top left, opposite, is mistletoe — not the Christmas variety, but dwarf mistletoe, *Arceuthobium* Spp., a parasite that saps the vitality of the tree and leaves it vulnerable to a host of diseases and insects. Note how it has made the branch swell. Next is litter in a stand where growth has virtually stopped, where decay has set in. The stand should be logged to make way for a new crop. The discolouration of the trees in the next photo is a sign they're dying from effects of insect infestation or disease and should be logged now while their wood is still sound.*

On the left of the centre photo grouping is evidence of "blowdown", a common result in overmature forest stands which become easy prey to root or butt rot which kill trees and make it easy for the wind to blow them down. Note the contrast in the next photo — a forest in its prime of life, called "thrifty mature". Cones of the hemlock tree, pictured next, will produce seeds to start a new forest.

*Lower left is a typical ground cover in the coastal forests of B.C., *Vanilla Leaf*, *Achlys triphylla*, sometimes called *May leaves*. It is found in coniferous forests at lower elevations. Dried leaves of this plant have a vanilla-like aroma and some say it will rid a room of flies. Next to it is *Devil's Club*, *Oplopanax horridus*. It grows only in moist conditions and the forester would take it as a sign that cedar would do well in that area because it is more tolerant of excessive moisture than some other species. *Devil's Club* is covered with sharp thorns which can cause painful sores. The forest plants in the photo lower right can help a forester decide which tree species should be planted in a particular location. When sword ferns are found among these plants, he knows it is a site with rich soil.*







Cone-laden Douglas firs like those shown opposite will provide seeds from which seedlings are grown for hand planting. These parent trees are selected carefully to assure that harvested lands are restocked with high-quality seedlings genetically adapted to the site.

Lower left. It's nothing like a rose, but that is a flower — the flower of a Douglas fir in spring. Foresters are trained to spot these blossoms, and the buds which precede them, as signs of a valuable cone crop that will be harvested in the fall.

On the right are seeds with their wings still attached. This light vane on a conifer seed catches the wind like the blade of a windmill and carries ripe seed some distance from the parent tree in natural seeding. When seeds are planted in nurseries the wing is removed.

At the top of this page are three different seedling root types for planting, left to right, bare root; mudpack, with roots in a mixture of peat and clay; or plug, with roots undisturbed in a plug of soil in which it is grown.

The need to assist nature means that seed supply is a constant preoccupation of MacMillan Bloedel foresters. A succession of bad cone years can seriously deplete the seed stock. Therefore, George Westarp and all other MB foresters in the field identify genetically-sound stands from which seed for vigorous regeneration can be obtained. They also are constantly alert for flowers on the potential seed trees in their divisions so they can make preparations for cone collection in the fall.

This enterprise is often hampered by the forester's keenest competitor for conifer seeds — the squirrel. By some mysterious means of communication, squirrels also know where good cone crops will be found and they will move in from neighbouring forests to conduct their own busy harvest, occasionally in the same tree with a human collector.

Cone crops from natural stands are intermittent — they may occur only once every six or seven years with Douglas fir, once every two or three years in other species. So, methods to help nature improve upon this production have been pursued. Techniques, using fertilization, have been proven to increase Douglas fir seed cone production. Experiments are underway to achieve the same thing with other species. Our foresters need some 10,000,000 seeds a year to assure an adequate supply of seedlings.

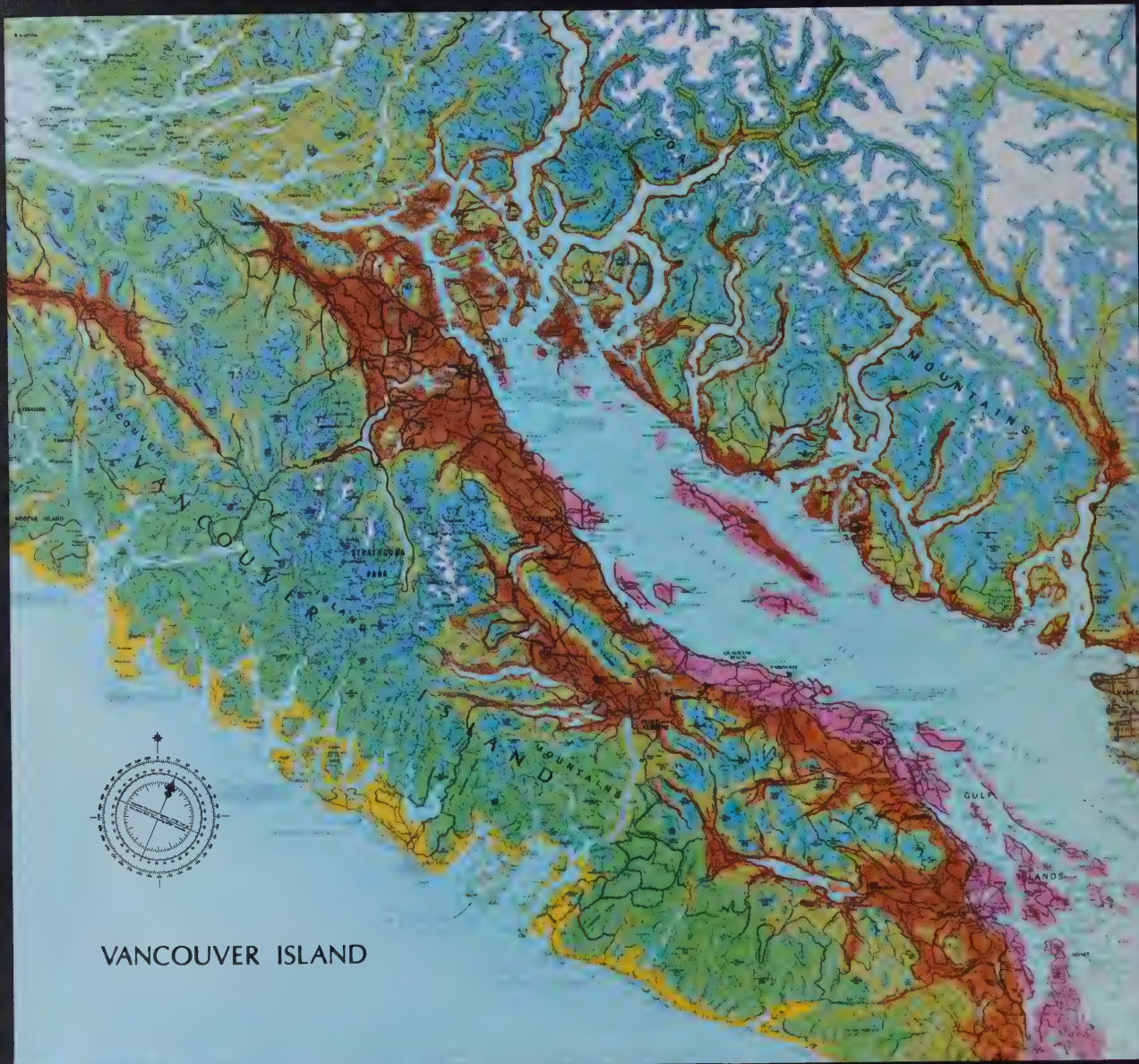
Where nature needs an assist at reforestation, the forester must decide what species will be best suited to the site, what the weed competition will be, what planting difficulties will be encountered and, finally, which type of nursery stock and planting method will be most appropriate — bare root, mud-packed or plug seedlings; spade, mattock or planting gun. The decision will depend largely on the site.

Looking at a tough site — steep, rocky, dry and exposed — George says, "Whenever I see a site like that I think just one thing: fir." Douglas fir is more likely than other species to survive there because fir likes well-drained, southerly slopes.

The Douglas fir demands sunlight and young firs will not survive if they are shaded by weed or brush competition. That's one reason some sites are burned over — to kill weed competition and give the fir seedlings a fighting chance.

If a site is moist and in a high rainfall area, the tree choice would probably be hemlock, which prefers abundant moisture. The Sitka spruce is limited to the west coast fog belt and the Queen Charlotte Islands. In other areas, this species is attacked by weevils. Cedar prefers moisture.

All this is considered in species selection. Where there is a choice, preference is given to hemlock and to mixed stands of hemlock and Douglas fir. Other species will seed in naturally.



Dry
Douglas
Fir

Wet
Douglas
Fir

Dry
Western
Hemlock

Wet
Western
Hemlock

Fog
Sitka
Spruce

Mountain
Hemlock

Alpine

Urban

Survival Line.

The early years of growth are the most critical for a new forest. So, on all MacMillan Bloedel plantations, the progress of sample groups of young seedlings is carefully recorded in a procedure known as survival exams. We've planted more than 81 million seedlings in B.C. forests since 1938 and, in each plantation, in selected areas, a stake is placed next to each of at least 25 trees in what are called "survival lines." These help MB foresters assemble an amazing volume of detailed data on the development of each planted area. One year and three years after planting, foresters return to those trees. If the first exam shows survival below standard, then the whole plantation will be examined and, if necessary, will be replanted. Surviving trees are measured and notes are made about the kind of native vegetation growing alongside them, thus building up a steadily-expanding body of knowledge to help improve seedling survival in future plantations.

Biogeoclimatic Zone Map.

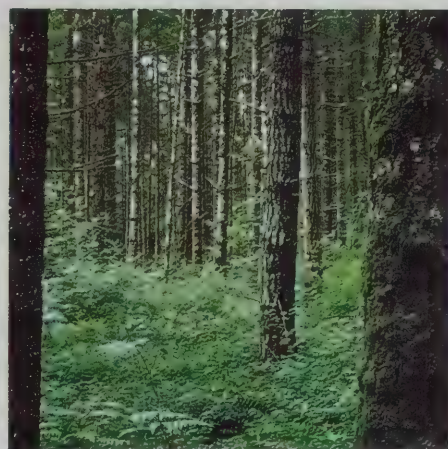
The name may be a tongue-twister, but the "biogeoclimatic zone map" illustrated in miniature on the page opposite is an important ecology-based tool used by MacMillan Bloedel foresters in developing new forests where the mature stands have been harvested. The mapping is based on a classification system devised by Prof. V. J. Krajina of the University of British Columbia and incorporates advances developed by our own researchers. Zones are classified according to biota, geology and climate — thus, biogeoclimatic. Biota means the plant life forms found naturally in a given zone. The map's classifications serve as a guide for foresters in planning the mixes of species likely to be most at home in a given area. It is a valued aid in selection of species both for planting and subsequent spacing and cleaning of a plantation.

MacMillan Bloedel Limited							
Survival Record							
Plantation No. 2644				Plantation Date 11/3/70			
Stratum No. C.A.B.				Survival Strip No. 2			
Tree No.	Examination Date						Remarks
	Tree Class	Total Height	Tree Class	Total Height	Tree Class	Total Height	
1	S	7	S	6	S	6	B
2	S	5	S	4	S	4	B
3	S	2	S	2	S	2	B
4	S	7	S	5	S	6	B
5	S	2	S	2	S	2	B
6	S	10	S	6	S	11	B
7	S	2	S	4	S	3	B
8	S	5	S	7	S	17	B
9	S	10	S	7	S	6	B
10	S	7	S	3	S	7	B
11	S	8	S	6	S	12	B



Top left is a reproduction of a part of a survival record which foresters call a "tally card". This, for strip No. 2 in plantation No. 2644, is a report card as detailed as that for any sixth-grade student. You can see No. 5 tree was "spindly" and suffered "weevil" damage. The card contains results of exams at the time of planting and after the first and third years of growth. In this line, two other trees didn't survive — Nos. 19 and 22 being "pulled out by deer".

Lower left, stake No. 8 marks a three-year-old seedling, two feet tall on the forester's survival line measure. This crude but useful stick, its base marked in inches, is ten feet long and is used to measure seedling height, in making notes of native growth surrounding staked trees — and is handy as a walking stick or alpenstock.



Top right is a new forest showing obvious signs of health and vigour, even in its colour. Such healthy conifers will grow an average of 15 inches a year in height and a stand of coast fir on a tract the size of a football field will add about 5,500 pounds of wood per year.

Lower right is a stand about 40 years of age showing strong, uncrowded growth which develops with processes called "spacing and cleaning" and "commercial thinning". If you've ever planted a row of carrots or radishes in your vegetable garden, you know about weeding and spacing to provide growing space so your vegetables grow bigger than pencils. Trees, too, need room to grow and, where overcrowding develops in managed forests, spacing and cleaning is done in about the tenth year of growth, thinning when the trees are large enough that usable wood can be recovered.



There is more to the forest than trees.
Opposite page, left to right,
top row:

Boykinia elata.
Juncus sp., *Agrostis* sp.,
in foreground.
Cow Parsnip, *Heracleum*
lanatum.

centre row:
Field Chickweed, *Cerastium*
arvense.
Fireweed, *Epilobium*
angustifolium.
Yellow Pond Lily, *Nymphaea*
luteum ssp. *polysepalum*.

bottom row:
Hair Cap Moss, *Polytrichum*
juniperinum.
Columbia or Tiger Lily,
Lilium Columbianum.
Wild Lettuce, *Lactuca muralis*.
The forest floor is a mass of botanical
marvels, from the tiny, starlike blossoms of *Boykinia*, the slender shoots of *Juncus*, or the delicate flowers of *Agrostis*, to the huge flower heads of the *Cow Parsnip*, one of the largest perennial herbs in British Columbia. Each of them tells the forester something of local growing conditions.

Field Chickweed, for example, favours dry, rocky sites. The beautiful rose-purple blossoms of *fireweed* are familiar signs of summer on burned-over lands. They make a choice honey when bees find them. The *Yellow Pond Lily* is found in wet or bog conditions.

Hair Cap Moss is a common feature of our coastal forests but it does not produce lovely lavender flowers. This effect in our photo comes from reflective droplets of water caught in the scale-like leaves called *phyllids*. This moss belongs to the *Bryales* order of mosses and was once used as mattress stuffing. Its neighbours are often the *Columbia Lily*, similar to lilies in cultivated gardens, and wild lettuce, not at all similar to garden lettuce, but it has a nice flower.

These and hundreds of other flowering plants, large and small, share British Columbia's wild places with giant conifers . . . and with foresters.

To walk with a forester is to gain an insight into the work of people who are on intimate terms with nature, its creatures and its plants. They are people who work with nature to help improve on nature's results.

They are people whose definition of conservation is likely to be "wise use" of all the benefits the forest resource offers — whether these be the jobs and useful products or aesthetic values.

They are people who must be concerned with all aspects of the forest; with soil, with trees, with the means of protecting against fire and insect and disease; with protection of fish and wildlife habitat and of water quality; with planning of the harvest through which jobs and products are created; and with the perpetuation of the resource.

The professional forester has played a key role in advancing the techniques of forest management and in improving their application — and he is succeeding with the help of all those who work in and with the forest, among them the forest engineers in charge of the harvest.

Logging is part of the process of wise use of the forest. MacMillan Bloedel's objective is to have the harvest carried out in ways that will maintain harmony with the environment and to do so within a policy of balanced, multiple use of forest lands. The latter means, among other things, public access to these forest lands — and every year tens of thousands of people share in the use of these lands, travelling on logging roads to areas they couldn't reach before to fish, to hunt, to enjoy the outdoors.

Providing for shared use is part of the job of our forest managers, just as it is part of their job to assure a perpetual harvest. Doing that means reforestation and MacMillan Bloedel has been planting trees since the 1930s, learning new techniques, learning how to get the best growth in British Columbia's climate and soil conditions.

We have developed methods of scientific forestry that produce up to 40% more timber per acre than would have been possible otherwise.

The benefits include not only the wood. Fish, deer, elk, bear, cougar, raccoons, squirrels, eagles, game birds and waterfowl make this province a natural wonderland that must be protected for future generations. It is MacMillan Bloedel policy to co-operate completely with wildlife management specialists in matters of food supplies, winter shelter, breeding and spawning grounds. Such co-operation means that the recreational and aesthetic aspects of the forests are protected along with the trees.

Our forest managers are trained in environmental matters and they know how to maintain a continuous supply of raw material through constant renewal of the resource, at the same time protecting water, soil, air, fish, birds and wildlife.

To walk with a forester is to be reassured because foresters are people with an acute sense of the delicate balances in nature among man, beasts and birds, shrubs and trees, streams and lakes, insects and fungus, sun and rain. They respect and seek to maintain those balances and thus perform a creative service for the people of British Columbia. They help nature to build better forests.





Historical Review*

Operating	1972	1971	1970
Production			
Logs.....(M Cu. Ft.).....	302,646	338,578	307,920
Lumber.....(M FBM).....	1,263,466	1,359,605	1,180,541
Plywood.....(M Sq. Ft. $\frac{3}{8}$ "').....	499,616	512,377	450,029
Shingles.....(Squares).....	291,893	447,701	420,929
Particleboards.....(M Sq. Ft. $\frac{3}{8}$ "').....	208,834	196,535	145,078
Specialty boards.....(M Sq. Ft.).....	30,188	25,331	21,419
Newsprint.....(Short tons).....	1,222,301	1,216,359	1,093,765
Pulp.....(Short tons).....	493,275	489,308	483,059
Kraft paper and paperboard.....(Short tons).....	442,396	396,618	349,298
Fine paper.....(Short tons).....	28,912	27,439	27,631
Corrugated containers.....(M Sq. Ft.).....	7,029,314	4,608,275	4,541,820
Wages, salaries and employee benefits.....	\$231,404,789	\$210,630,593	\$182,260,737
Number of employees at end of year.....	23,136	21,036	20,830
Financial			
Income, all sources.....	\$967,913,032	\$779,122,975	\$688,627,277
Net earnings after income taxes, minority interests and extraordinary items			
Amount.....	\$ 37,658,562	\$ 25,469,025	\$ 17,425,816
Per share before extraordinary items.....	\$ 1.68	\$ 1.06	\$.83
Per share after extraordinary items.....	\$ 1.80	\$ 1.22	\$.83
Depreciation, depletion and amortization.....	\$ 49,825,030	\$ 49,993,725	\$ 49,305,374
Retained earnings (deficit) for the year.....	\$ 16,704,288	\$ 14,952,945	\$ (3,528,403)
Basic cash flow			
Amount.....	\$ 91,277,103	\$ 70,183,476	\$ 67,430,370
Per share.....	\$ 4.37	\$ 3.36	\$ 3.24
Capital expenditures.....	\$ 60,864,748	\$ 33,721,296	\$ 47,432,052
Percentage of long term debt to total capital employed.....	33.7	36.8	36.1
Dividends			
Cash — Ordinary shares			
Amount.....	\$ 20,876,385	\$ 10,438,191	\$ 20,876,330
Per share.....	\$ 1.00	\$.50	\$ 1.00
Cash — Preference shares			
Amount.....	\$ 77,889	\$ 77,889	\$ 77,889
Per share.....	\$.03	\$.03	\$.03
Stock			
Amount.....	—	—	—
Per share.....	—	—	—
Number of shareholders at end of year**.....	19,125	20,124	21,575

*Certain prior years' figures have been restated to effect the full consolidation of overseas subsidiaries.

**Excluding holders of share warrants.

***Includes tonnage purchased during strike.

1969	1968	1967	1966	1965	1964	1963
359,924	310,003	274,677	273,425	238,900	215,512	206,206
1,244,260	1,279,284	1,139,437	1,037,806	1,014,757	915,206	804,102
534,950	477,728	416,664	406,271	386,457	374,036	372,054
449,837	469,598	443,816	430,852	479,983	452,002	449,323
133,154	81,992	89,905	68,557	38,016	—	—
22,668	18,235	12,950	7,517	1,580	—	—
927,868	813,748	832,361	896,361	843,968	790,850***	689,296
556,468	546,761	550,245	586,867	556,135	483,773	368,152
455,654	239,285	178,382	174,462	173,018	159,683***	159,635
24,331	23,292	20,801	20,043	17,868	14,482	12,089
4,603,282	4,369,452	4,075,932	3,713,726	3,017,981	2,946,891	665,240
\$176,071,572	\$158,644,055	\$139,566,066	\$123,580,240	\$107,328,959	\$ 94,653,880	\$ 81,724,493
20,595	20,023	18,268	17,919	16,733	15,963	13,430
\$679,823,896	\$620,434,681	\$562,399,154	\$512,210,371	\$464,432,305	\$438,483,408	\$349,368,343
\$ 42,550,721	\$ 38,799,447	\$ 36,189,166	\$ 42,460,618	\$ 40,594,282	\$ 41,440,597	\$ 36,660,068
\$ 2.04	\$ 1.86	\$ 1.74	\$ 2.04	\$ 1.95	\$ 1.99	\$ 1.76
\$ 2.04	\$ 1.86	\$ 1.74	\$ 2.04	\$ 1.95	\$ 1.99	\$ 1.76
\$ 48,113,915	\$ 39,891,207	\$ 31,922,661	\$ 29,112,129	\$ 24,720,985	\$ 29,587,834	\$ 22,486,653
\$ 21,602,233	\$ 17,865,303	\$ 11,083,772	\$ 16,343,477	\$ 15,551,676	\$ 16,425,091	\$ 15,828,813
\$ 96,480,075	\$ 82,358,995	\$ 75,812,385	\$ 92,032,235	\$ 75,874,303	\$ 76,837,483	\$ 65,652,332
\$ 4.62	\$ 3.95	\$ 3.63	\$ 4.41	\$ 3.64	\$ 3.69	\$ 3.15
\$106,601,305	\$ 78,305,467	\$122,684,007	\$ 91,862,248	\$ 54,850,832	\$ 86,271,501	\$ 47,119,433
36.9	37.0	36.6	35.0	16.3	19.2	10.1
\$ 20,870,599	\$ 20,856,255	\$ 25,027,505	\$ 20,856,255	\$ 20,848,755	\$ 20,846,255	\$ 20,831,255
\$ 1.00	\$ 1.00	\$ 1.20	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
\$ 77,889	\$ 77,889	\$ 77,889	\$ 46,822	\$ 24,600	—	—
\$.03	\$.03	\$.03	\$.03	\$.03	—	—
—	—	—	\$ 5,214,064	\$ 4,169,251	\$ 4,169,251	—
—	—	—	\$.25	\$.20	\$.20	—
22,282	23,751	24,671	24,415	23,135	20,597	18,909

Consolidated Balance Sheet

December 31 1972

Assets

	1972	1971
CURRENT ASSETS:		
Cash.....	\$ 4,253,510	\$ 3,985,058
Short term investments and deposits, at cost, market value \$25,597,896 (1971—\$14,862,953).....	25,595,081	14,846,586
Trade and other accounts receivable.....	125,946,744	115,442,309
Inventories (Note 3)	123,237,881	121,357,724
Prepaid expenses	3,762,312	2,788,939
Income tax allocations in respect of future years (Note 8).....	2,019,694	(1,239,933)
	<u>284,815,222</u>	<u>257,180,683</u>
INVESTMENTS AND OTHER ASSETS:		
Partly-owned companies, at cost (Note 1).....	23,699,712	22,303,844
Investments, at cost, having quoted market value of \$6,685,560 (1971—\$4,652,659).....	4,458,776	4,472,023
Other, at cost	9,531,257	8,077,562
	<u>37,689,745</u>	<u>34,853,429</u>
PROPERTY, PLANT AND EQUIPMENT:		
Buildings and equipment, at cost (Note 4).....	882,084,454	841,955,518
Less: Accumulated depreciation.....	432,874,563	402,783,180
	<u>449,209,891</u>	<u>439,172,338</u>
Timber, at cost less accumulated depletion of \$83,346,617 (1971—\$78,110,855) (Note 5).....	74,222,371	75,993,168
Logging roads, at cost less amortization.....	20,019,856	19,001,491
Land, at cost	10,180,936	8,426,339
	<u>553,633,054</u>	<u>542,593,336</u>
INTANGIBLE ASSETS:		
Unallocated cost of shares in subsidiaries (Note 1)	26,667,562	26,667,562
Bond and debenture discount and financing expenses, at cost less amortization.....	1,623,174	1,786,208
	<u>28,290,736</u>	<u>28,453,770</u>
	<u>\$904,428,757</u>	<u>\$863,081,218</u>

1971 comparative figures have been restated (Note 1)

Liabilities

	1972	1971
CURRENT LIABILITIES:		
Bank loans and indebtedness.....	\$ 23,343,670	\$ 44,497,568
Accounts payable and accrued liabilities.....	78,197,710	64,816,674
Dividend payable.....	2,087,639	—
Income taxes payable (Note 8).....	11,336,557	3,153,947
Current portion of long term debt (Note 7).....	7,820,183	7,595,663
	<u>122,785,759</u>	<u>120,063,852</u>
LONG TERM DEBT:		
Bonds and debentures (Note 6).....	241,701,112	250,422,381
Other secured liabilities.....	21,492,859	23,349,446
	<u>263,193,971</u>	<u>273,771,827</u>
INCOME TAX ALLOCATIONS IN RESPECT OF FUTURE YEARS (Note 8).....	<u>69,264,111</u>	<u>65,947,295</u>
MINORITY INTERESTS IN SUBSIDIARIES (Note 9).....	<u>45,141,960</u>	<u>13,988,239</u>
	<u>500,385,801</u>	<u>473,771,213</u>

Shareholders' Equity

SHARE CAPITAL:		
3% non-cumulative redeemable preference shares with a par value of \$1 each (Note 10).....	624,948	2,596,285
Ordinary shares without nominal or par value (Note 11)—		
Authorized: 25,000,000 shares		
Outstanding: 20,876,385 shares.....	160,035,477	160,035,477
	160,660,425	162,631,762
RETAINED EARNINGS.....	<u>243,382,531</u>	<u>226,678,243</u>
	<u>404,042,956</u>	<u>389,310,005</u>
COMMITMENTS (Notes 9 and 12)		
	<u>\$904,428,757</u>	<u>\$863,081,218</u>

APPROVED ON BEHALF OF THE BOARD:

J. V. Clyne *Director*

G. B. Currie *Director*

Consolidated Statement of Earnings

For the year ended December 31 1972

	<u>1972</u>	<u>1971</u>
Sales and other income:		
Sales of products and services (Note 13).....	\$964,189,597	\$776,777,224
Income from investments.....	3,379,962	2,086,684
Profit on disposal of investments and other assets and property, plant and equipment.....	343,473	259,067
	<u>967,913,032</u>	<u>779,122,975</u>
Costs and expenses (Note 13):		
Cost of sales and services.....	827,789,520	673,940,755
Marketing, advertising and promotion.....	23,269,559	18,995,452
General and administrative.....	31,814,215	28,266,239
Long term debt interest.....	14,820,830	14,537,116
Bank and other interest.....	2,419,210	4,240,796
	<u>900,113,334</u>	<u>739,980,358</u>
Earnings before income taxes, minority interests and extraordinary items.....	<u>67,799,698</u>	<u>39,142,617</u>
Income taxes (Note 8):		
Current.....	32,395,500	23,794,710
Future years.....	57,189	(3,656,884)
	<u>32,452,689</u>	<u>20,137,826</u>
Earnings before minority interests and extraordinary items.....	35,347,009	19,004,791
Minority interests in subsidiaries (net).....	(313,661)	3,024,193
Earnings before extraordinary items.....	35,033,348	22,028,984
Extraordinary items (Note 13).....	2,625,214	3,440,041
Net earnings.....	<u>\$ 37,658,562</u>	<u>\$ 25,469,025</u>
Net earnings per ordinary share:		
Earnings before extraordinary items.....	\$1.68	\$1.06
Extraordinary items.....	.12	.16
Net earnings.....	<u>\$1.80</u>	<u>\$1.22</u>

*1971 comparative figures have been restated (Note 1)***Consolidated Statement of Retained Earnings**

For the year ended December 31 1972

	<u>1972</u>	<u>1971</u>
Balance at beginning of year.....	\$226,678,243	\$211,725,298
Net earnings.....	37,658,562	25,469,025
	<u>264,336,805</u>	<u>237,194,323</u>
Dividends:		
On ordinary shares—\$1.00 per share (1971—\$.50 per share).....	20,876,385	10,438,191
On preference shares.....	77,889	77,889
	<u>20,954,274</u>	<u>10,516,080</u>
Balance at end of year.....	<u>\$243,382,531</u>	<u>\$226,678,243</u>

Consolidated Statement of Source and Application of Working Capital

For the year ended December 31 1972

	1972	1971
Source of working capital:		
Earnings—		
Net earnings.....	\$ 37,658,562	\$ 25,469,025
Charges (credits) not affecting working capital:		
Depreciation, depletion and amortization of logging roads.....	49,825,030	49,993,725
Future years' income taxes	3,316,816	(2,436,397)
Minority interests in subsidiaries (net).....	313,661	(3,024,193)
Amortization of bond and debenture discount and financing expenses	163,034	181,316
	91,277,103	70,183,476
Proceeds of issue of long term debt, net of discount and financing expenses	840,670	29,969,183
Equity provided by minority interests in subsidiaries (Note 9).....	31,708,182	3,944,756
Investments having quoted market value (net).....	13,247	981,665
	123,839,202	105,079,080
Application of working capital:		
Net additions to property, plant and equipment.....	60,864,748	33,721,296
Dividends—		
Shareholders of the company	20,954,274	10,516,080
Minority shareholders of subsidiaries.....	868,122	557,316
Investments in and advances to partly-owned companies (net).....	1,395,868	260,781
Payments of and current provision for—		
Bonds and debentures.....	8,721,269	12,042,970
Other secured liabilities.....	2,697,257	2,112,704
Purchase of preference shares for cancellation.....	1,971,337	—
Other investments and other assets.....	1,453,695	2,456,626
	98,926,570	61,667,773
Increase in working capital.....	24,912,632	43,411,307
Working capital at beginning of year.....	137,116,831	93,705,524
Working capital at end of year.....	\$162,029,463	\$137,116,831

CHANGES IN WORKING CAPITAL COMPONENTS:

Increases (decreases) in current assets:		
Cash	\$ 268,452	\$ 1,060,547
Short term investments and deposits.....	10,748,495	10,583,026
Trade and other accounts receivable	10,504,435	7,607,477
Inventories.....	1,880,157	9,197,881
Prepaid expenses.....	973,373	(214,815)
Income tax allocations in respect of future years.....	3,259,627	1,227,107
	27,634,539	29,461,223
Increases (decreases) in current liabilities:		
Bank loans and indebtedness.....	(21,153,898)	(7,106,323)
Notes payable	—	(16,280,000)
Accounts payable and accrued liabilities.....	13,381,036	3,617,734
Dividend payable	2,087,639	—
Income taxes payable.....	8,182,610	5,940,136
Current portion of long term debt.....	224,520	(121,631)
	2,721,907	(13,950,084)
Increase in working capital.....	\$ 24,912,632	\$ 43,411,307

1971 comparative figures have been restated (Note 1)

Auditors' Report and Notes to Consolidated Financial Statements

Auditors' Report

To the Shareholders of MacMillan Bloedel Limited:

We have examined the consolidated balance sheet of MacMillan Bloedel Limited as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change, with which we concur, in the accounting for overseas subsidiaries as explained in Note 1 to the consolidated financial statements.

February 19, 1973
Vancouver, B.C.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

MacMillan Bloedel Limited

Notes to Consolidated Financial Statements

December 31 1972

1. ACCOUNTING FOR SUBSIDIARIES AND PARTLY-OWNED COMPANIES:

The consolidated financial statements include the accounts of the company and all of its subsidiaries.

The company's overseas subsidiaries, which were previously carried at cost plus the company's equity in their undistributed net earnings since dates of acquisition, have now been consolidated and comparative figures for 1971 have been restated on a retroactive basis. This change has had no effect on net earnings previously reported since the company's equity in the net earnings of these subsidiaries has been included in the consolidated statement of earnings each year.

The unallocated cost of shares in subsidiaries represents the excess of the purchase price over the value attributed to the underlying net tangible assets at dates of acquisition and, as in previous years, the company does not consider it appropriate to provide for amortization at this time.

Withholding taxes on dividends received from foreign subsidiaries are charged to consolidated net earnings when paid.

The investments in partly-owned companies representing interests of between 30% and 50% are recorded at cost. The total of \$23,699,712 as at December 31, 1972 (\$22,303,844 as at December 31, 1971) was made up principally of share investments in Koninklijke Nederlandsche Papierfabriek, N.V. and Celupal S.A. together with advances to Celupal S.A. of \$3,436,094 (\$3,852,723 as at December 31, 1971). Dividend income from these investments is included in consolidated net earnings when received.

2. FOREIGN EXCHANGE:

Current assets and current liabilities in foreign currencies are translated into Canadian dollars at rates related to forward exchange contracts or, where not covered by forward exchange contracts, at the rates of exchange in effect as at the balance sheet dates; other assets (and related depreciation, depletion and amortization) and liabilities at the rates in effect at the dates on which the assets were acquired or the liabilities were incurred; and items affecting net earnings (other than inventories, depreciation, depletion and amortization) at the average rates for the year. The net balance (which was not material) arising from the translation of foreign currencies is included in consolidated net earnings.

3. INVENTORIES:

	December 31 1972	1971
Valued at the lower of average cost and replacement cost—		
Logs, pulp chips, pulpwood and cordwood.....	\$ 23,834,445	\$ 31,937,116
Operating and maintenance supplies.....	16,633,557	15,824,525
Valued at the lower of average cost and net realizable value—		
Lumber, plywood and other building materials.....	47,458,314	46,477,651
Pulp and paper products.....	25,719,375	24,186,156
Packaging products.....	4,592,190	2,932,276
	<u>\$123,237,881</u>	<u>\$121,357,724</u>

4. BUILDINGS AND EQUIPMENT:

	Cost	Accumulated depreciation	Net book value
December 31, 1972:			
Pulp and paper mills.....	\$602,923,484	\$290,690,867	\$312,232,617
Sawmills, plywood mills and other building materials plants.....	107,313,652	62,869,660	44,443,992
Logging buildings and equipment.....	68,471,547	46,578,002	21,893,545
Packaging plants.....	66,853,510	22,222,125	44,631,385
Other buildings and equipment.....	36,522,261	10,513,909	26,008,352
	<u>\$882,084,454</u>	<u>\$432,874,563</u>	<u>\$449,209,891</u>
December 31, 1971:			
Pulp and paper mills.....	\$591,926,535	\$268,671,504	\$323,255,031
Sawmills, plywood mills and other building materials plants.....	104,532,567	58,288,024	46,244,543
Logging buildings and equipment.....	65,275,426	44,924,338	20,351,088
Packaging plants.....	41,876,687	19,988,852	21,887,835
Other buildings and equipment.....	38,344,303	10,910,462	27,433,841
	<u>\$841,955,518</u>	<u>\$402,783,180</u>	<u>\$439,172,338</u>

The company's plant facilities in Alabama and its head office building are held under long term leases containing provisions which indicate that the assets should be accounted for on a basis of ownership. Accordingly, the cost of these leased assets, aggregating \$87,750,000, and related depreciation and long term debt are included in the accompanying financial statements.

5. TIMBER—FOREST FIRE JUDGMENT UNDER APPEAL:

On May 20, 1971 the Supreme Court of British Columbia gave judgment in favour of the company for \$1,213,669 in respect of loss of and damage to timber stands and recovery of other costs relating to a fire which damaged the company's timber on Vancouver Island in 1967. The judgment was appealed by the defendants to the Court of Appeal of British Columbia where on October 31, 1972 the liability of the defendants was upheld in principle, although a downward revision of the amounts was indicated. The company has appealed to the Supreme Court of Canada in respect of the determination of the amounts of the damages and, pending results of this appeal, the company has given no accounting recognition to the judgment. All costs arising from this fire that were borne by the company have been charged against consolidated net earnings.

6. BONDS AND DEBENTURES:

	December 31	
	1972	1971
MacMillan Bloedel Limited—		
4.95% sinking fund debentures, Series "A", maturing October 1, 1990:		
U.S. \$37,800,000 (Canadian \$37,611,000*).....	\$ 40,608,343	\$ 42,864,364
5½% ten-year term debentures, Series "B", maturing January 3, 1976.....	50,000,000	50,000,000
6½% sinking fund debentures, Series "C", maturing July 15, 1992:		
U.S. \$27,982,000 (Canadian \$27,842,090*).....	30,154,804	30,154,804
7½% debentures, Series "D", maturing May 15, 1978.....	10,000,000	10,000,000
8½% sinking fund debentures, Series "E", maturing May 15, 1991.....	20,000,000	20,000,000
	<u>150,763,147</u>	<u>153,019,168</u>
MacMillan Bloedel Inc.**—		
4.05% to 4.10% industrial development revenue bonds, maturing June 1, 1973 to 1975:		
U.S. \$6,210,000 (Canadian \$6,178,950*).....	6,675,750	9,465,375
4¾% sinking fund industrial development revenue bonds, maturing June 1, 1988:		
U.S. \$54,000,000 (Canadian \$53,730,000*).....	58,050,000	58,050,000
	<u>64,725,750</u>	<u>67,515,375</u>
MacMillan Rothsay Limited—		
6% first mortgage and collateral sinking fund bonds, Series "A", maturing March 1, 1985:		
U.S. \$10,850,000 (Canadian \$10,795,750*).....	11,663,750	12,556,000
6¾% general mortgage sinking fund bonds, Series "A", maturing October 1, 1985.....	7,275,000	7,600,000
7½% debenture certificate, due December 31, 1979.....	22,500	22,500
	<u>18,961,250</u>	<u>20,178,500</u>
MacMillan Bloedel Industries Limited—		
Sinking fund debentures:		
5¾% twenty-year debentures, Series "A", maturing May 15, 1978.....	5,294,000	7,297,000
4¾% twenty-year debentures, Series "B", maturing May 15, 1978:		
U.S. \$2,850,000 (Canadian \$2,835,750*).....	2,742,234	2,742,234
	<u>8,036,234</u>	<u>10,039,234</u>
Carried forward.....	<u>\$242,486,381</u>	<u>\$250,752,277</u>

*Represents Canadian equivalent calculated at the rate of exchange in effect at December 31, 1972.

**These industrial development revenue bonds are direct obligations of The Industrial Development Board of the Town of Camden, Alabama (see Note 4).

Notes to Consolidated Financial Statements (continued)

	December 31 1972	1971
Brought forward.....	\$242,486,381	\$250,752,277
Burnaby Paperboard Ltd.—		
First mortgage and collateral trust bonds:		
1955 Series—		
4½% sinking fund bonds, maturing September 1, 1975.....	2,817,000	2,991,000
1958 Series—		
5¾% sinking fund bonds, maturing May 15, 1978.....	1,352,000	1,410,000
	<u>4,169,000</u>	<u>4,401,000</u>
Kingsway Lumber Co. Limited—		
6¾% sinking fund debentures:		
Series "A", maturing December 15, 1982.....	634,000	662,000
Series "B", maturing February 1, 1985.....	534,000	582,000
	<u>1,168,000</u>	<u>1,244,000</u>
R. Laidlaw Lumber Co. Limited—		
6% serial debentures, maturing October 15, 1972.....	—	40,000
	<u>247,823,381</u>	<u>256,437,277</u>
Less: Payments due within one year, before adjustment to current rate of exchange (Notes 2 and 7).....	6,122,269	6,014,896
	<u>\$241,701,112</u>	<u>\$250,422,381</u>

Substantially all of the property, plant and equipment is pledged as security for the bonds, debentures and other secured liabilities. The principal trust indentures securing the company's debentures contain dividend payment restrictions which, at present dividend levels, are not expected to become operative.

7. PAYMENTS ON LONG TERM DEBT:

Payments on long term debt required for each of the five years after December 31, 1972 are as follows—

	Bonds and debentures	Other secured liabilities	Total
1973 (after adjustment to current rate of exchange—Notes 2 and 6).....	\$ 5,672,520*	\$ 2,147,663*	\$ 7,820,183
1974.....	7,543,835*	4,609,036	12,152,871
1975.....	12,675,166*	1,344,999	14,020,165
1976.....	60,249,166	1,227,068	61,476,234
1977.....	11,710,041	1,228,384	12,938,425

*Net of purchases and cancellation of long term debt up to December 31, 1972.

8. INCOME TAXES:

The company records income taxes on the tax allocation basis recommended by The Canadian Institute of Chartered Accountants wherever certain prescribed conditions are applicable. In the case of certain prior years' losses of MacMillan Rothsay Limited (which were incurred during construction and start-up of the second paper machine), the prescribed conditions were not applicable and this basis of accounting was not followed; the unapplied portion of these losses aggregating \$6,515,000 at December 31, 1972 is available to reduce income taxes of this subsidiary in future years.

Other prior years' losses of subsidiaries (principally the Alabama subsidiary whose previous losses are now fully applied), which had not been accounted for on the tax allocation basis when incurred, have been applied in reduction of 1972 taxable income. The tax reductions resulting therefrom are reflected as extraordinary items in the accompanying consolidated statement of earnings (Note 13 (d)).

United States investment tax credits in the amount of \$109,000 have been deducted from United States current income taxes, and further investment tax credits of \$4,850,000 are available to reduce income tax provisions in future years.

9. MINORITY INTERESTS IN SUBSIDIARIES:

	December 31 1972	1971
Preference shareholders.....	\$31,841,550	\$ 1,841,550
Common shareholders.....	13,300,410	12,146,689
	<u>\$45,141,960</u>	<u>\$13,988,239</u>

During the year MacMillan Rothsay Limited, a partly-owned subsidiary, issued \$30,000,000 of 4% cumulative redeemable preference shares. As part of the arrangements for the issue, MacMillan Bloedel Limited and a subsidiary of Feldmühle, A.G., the two common shareholders of the company, undertook in the ratio of their respective common share interests to purchase these shares or otherwise effect their redemption by June 30, 1975 and to ensure that dividends on these shares would be declared and paid on their due dates.

10. SHARE CAPITAL:

As at December 31, 1971 the authorized and outstanding 3% non-cumulative redeemable preference shares aggregated 2,749,066 shares and 2,596,285 shares respectively. On December 21, 1972 the company gave notice of offer to purchase all outstanding preference shares and 1,971,337 shares were tendered for purchase prior to December 31, 1972. These shares were then purchased for cancellation out of the proceeds of a demand debenture. After giving effect to the foregoing transactions, the authorized and the outstanding redeemable preference shares were reduced to 777,729 shares and 624,948 shares respectively.

On January 26, 1973 the company gave notice of its intention to redeem all remaining outstanding preference shares at their par value of \$1 on February 28, 1973.

11. STOCK OPTIONS:

Under the company's stock option plan, options for ordinary shares may be granted to key employees, exercisable by dates fixed by the Board of Directors, at share prices equal to at least 90% of the closing price on the Vancouver Stock Exchange on the last business day before the options were granted. No options were granted or exercised during the year, and as at December 31, 1972 options were outstanding for 30,500 shares, exercisable on or before November 6, 1974 at \$29.70 per share.

12. COMMITMENTS:

The company is committed in respect of the following:

(a) The charter by one of the company's subsidiaries of certain vessels under agreements for varying periods up to May 1977 at rentals aggregating \$12,024,868 for the periods of charter. The rentals due under these agreements are as follows:

1973 to 1975 (\$3,339,394 annually).....	\$10,018,182
1976.....	1,546,185
1977.....	460,501
	<u>\$12,024,868</u>

(b) The acquisition of timber in Alabama under long term cutting contracts requiring minimum annual payments (extending in some cases to the year 2032); payments of approximately \$1,870,000 are required in each of the next five years and in diminishing amounts thereafter.

(c) Annual lease payments of \$768,147 to August 15, 1979 in respect of logging equipment.

(d) Agreements with a number of the company's officers and executives (including some now retired), which call for pension payments, not funded or otherwise provided for, to be made under certain conditions following retirement. If these commitments had been funded from the inception of each contract, it is estimated that a fund of approximately \$4,880,000 would have been required as at December 31, 1972 to provide pension payments to present officers and executives in the event of their retirement at normal retirement age and to continue payments for those presently retired. These payments are charged to expenses in the year incurred.

13. EARNINGS STATEMENT SUPPLEMENTARY INFORMATION:

(a) Sales include the sales of products purchased from other manufacturers on which the margin of gross profit realized by the company is less than that realized on the sale of its own manufactured products.

	Year ended December 31	
	1972	1971
(b) Cost of sales and services include the following:		
Depreciation.....	\$39,266,783	\$38,025,919
Depletion.....	5,200,574	5,840,690
Amortization of logging roads.....	5,357,673	6,127,116
	<u>\$49,825,030</u>	<u>\$49,993,725</u>

Depreciation is computed on a straight-line basis on original cost at rates varying from 2½% on buildings to 15% on logging equipment and depletion and amortization of logging roads are determined on a basis related to log production.

(c) Costs and expenses include remuneration paid to the directors, including remuneration paid to certain directors in their capacities as senior officers of the company, aggregating \$709,899 (1971—\$637,404).

	Year ended December 31	
	1972	1971
(d) Extraordinary items comprise the following:		
Income tax reductions resulting from the application of losses carried forward for income tax purposes (Note 8).....	\$ 2,625,214	\$ 1,366,000
Gains less losses on disposal of investments not held for resale.....	—	3,529,665
	<u>2,625,214</u>	<u>4,895,665</u>
Less: Unrecoverable costs of acquiring cutting rights to timber near Whitecourt, Alberta which lapsed on June 30, 1971.....	—	1,455,624
	<u>\$ 2,625,214</u>	<u>\$ 3,440,041</u>

Logging operations, plants and distribution centres

LOGGING OPERATIONS, B.C.

Alliford Bay
Ash
Cameron
Chemainus
Cous
Estevan
Eve River
Franklin River
Iron River
Jervis Inlet
Juskatla
Kelsey Bay
Kennedy Lake
Kitimat
Knight Inlet
Menzies Bay
Misery Creek
Northwest Bay
Perketts Creek
Phillips Arm
Port Hardy
St. Vincent Bay
Shawnigan
Skidegate
Sombrio Point
Squamish
Stillwater
Taylor
Theodosia
Turnour Island
Wilson Creek

CEDAR POLE YARD

New Westminster, B.C.

LUMBER

Chemainus, B.C.
Harmac, B.C.
New Westminster, B.C.
Pine Hill, Alabama
Port Alberni, B.C.
Powell River, B.C.
Vancouver, B.C.

PLYWOOD

Pine Hill, Alabama
Port Alberni, B.C.
Vancouver, B.C.

WOOD PRODUCT SPECIALTIES

Hudson Bay, Sask.
Aspenite Panelboard
Port Alberni, B.C.
Shingles
Toronto, Ontario
Mouldings
Roof Trusses
Vancouver, B.C.
Particleboard
Pres-to-logs
Shingles
Specialty Boards

NEWSPRINT AND GROUNDWOOD PAPERS

Port Alberni, B.C.
Powell River, B.C.
Saint John, N.B.

PULP

Harmac, B.C.
Bleached Sulphate
Semi-bleached Sulphate
Port Alberni, B.C.
Unbleached Sulphate
Powell River, B.C.
Semi-bleached Sulphate

OTHER PAPER AND BOARD PRODUCTS

New Westminster, B.C.
Fine Papers
Pine Hill, Alabama
Linerboard
Port Alberni, B.C.
Linerboard

CORRUGATED CONTAINER PLANTS

CANADA

Winnipeg, Man.
Regina, Sask.
Edmonton, Alta.
Calgary, Alta.
New Westminster, B.C.

UNITED KINGDOM

Hatfield, Herts.
Nelson, Lancs.
Southall, Middlesex
West Auckland, Co. Durham
Weston-super-Mare, Somerset

UNITED STATES

Elmira, N.Y.
Jersey City, N.J.
Union, N.J.
Odenton, Md.
Cleveland, Ohio
Centerville, Ohio
Marion, Ind.
Chicago, Ill.
Magnolia, Miss.
Little Rock, Ark.
Houston, Texas
Los Angeles, Calif.

CARTON PLANT

Burnaby, B.C.
Folding and Rigid Cartons
Milk Cartons
Specialty Cartons

BAG AND SPECIALTY PLANT

Burnaby, B.C.
Kraft Paper Bags
Notion and Millinery Bags
Wrapping Papers

SALES OFFICES AND DISTRIBUTION CENTRES

Building Materials

CANADA

Eastern
Dartmouth, N.S.
Truro, N.S.
Drummondville, Que.
Montreal, Que.
Quebec City, Que.
Rimouski, Que.
Belleville, Ont.
Brantford, Ont.
Chatham, Ont.
Fonthill, Ont.
Kitchener, Ont.
London, Ont.
Orillia, Ont.
Ottawa, Ont.
Owen Sound, Ont.
Sudbury, Ont.
Timmins, Ont.
Toronto, Ont.
Windsor, Ont.

R. Laidlaw Lumber Co. Limited
Noranda, Que.
London, Ont.
North Bay, Ont.
Ottawa, Ont.
Sault Ste. Marie, Ont.

Kingsway Lumber Co. Limited Toronto, Ont.

Western

Winnipeg, Man.
Regina, Sask.
Saskatoon, Sask.
Edmonton, Alta.
Calgary, Alta.
Lethbridge, Alta.
Vancouver, B.C.
Chemainus, B.C.
Port Alberni, B.C.

UNITED STATES

Stamford, Conn.
Birmingham, Ala.
Honolulu, Hawaii

Blanchard Lumber Company

Walpole, Mass.
Rensselaer, N.Y.
Wayne, N.J.
Camden, N.J.
Baltimore, Md.
Fort Lauderdale, Fla.
Jacksonville, Fla.
West Hartford, Conn.
Atlanta, Ga.
Portsmouth, Va.
Houston, Texas
Portland, Ore.

Principal subsidiary companies

Alberni Pulp & Paper Ltd.
Canadian Transport Company Limited
Canadian Transport (Terminals) Limited
Harmac Pulp Limited
Kingcome Navigation Company Limited
Kingsway Lumber Co. Limited
R. Laidlaw Lumber Co. Limited
MacMillan Bloedel (Alabama) Inc.
MacMillan Bloedel (Alberni) Limited
MacMillan Bloedel Building Limited
MacMillan Bloedel Building Materials (B.C.) Limited
MacMillan Bloedel Building Materials Limited
MacMillan Bloedel Containers Inc.
MacMillan Bloedel Containers Limited
MacMillan Bloedel Inc.
MacMillan Bloedel Industries Limited
MacMillan Bloedel Meyer Limited
MacMillan Bloedel Meyer (Terminals) Limited
MacMillan Bloedel (New York) Inc.
MacMillan Bloedel Packaging Limited
MacMillan Bloedel Properties Limited
MacMillan Bloedel Pty. Limited
MacMillan Bloedel Pulp and Paper Sales Limited
MacMillan Bloedel Research Limited
MacMillan Bloedel Sales Inc.
MacMillan Bloedel (Saskatchewan) Limited
MacMillan Jardine Limited
MacMillan Rothesay Limited
Powell River-Alberni Sales Corporation



Two employees are shown in the ski bowl sector of parkland which MB has donated to the public.

ITEMS OF INTEREST

The Company has donated 1400 acres of land on Mount Arrowsmith, near Port Alberni, to be used as a public park for year-round recreational activities. Alberni-Clayoquot Regional District will own and administer the park but MacMillan Bloedel has built a parking lot and will keep access roads open during the winter.

Company foresters planted 4,446,000 seedlings this spring bringing the total planted by MB to more than 80 million. This is a record for any company in Canada and the trees planted have reforested 190,280 acres. Trees established in one plantation in 1938 are now more than 80 feet high. Another 2,250 acres will be planted in the fall programme this year.

Two MacMillan Bloedel representatives leave for Peking this month to develop markets for Company products in The People's Republic of China. They will take part in the Canadian Trade Exposition being held at Peking from August 21 through September 2. The Company's exhibit will feature pulp, linerboard, newsprint, fine paper and a line of building materials including heavy construction timbers not readily available in China.



**MacMillan
Bloedel Limited**

and Subsidiary Companies

**Report to the Shareholders
for the Six Months
Ended June 30, 1972**

CONSOLIDATED STATEMENT OF EARNINGS

SIX MONTHS ENDED JUNE 30 (in millions of dollars)

1972 1971 1970 1969

Sales and Other Income				
Sales of Products and Services	\$444.1	\$358.5	\$343.1	\$344.2
Other Income	2.4	1.3	2.9	1.7
	<u>\$446.5</u>	<u>\$359.8</u>	<u>\$346.0</u>	<u>\$345.9</u>
Earnings before Undernoted Items	\$ 72.0	\$ 50.5	\$ 59.6	\$ 83.2
Depreciation, Depletion and Amortization	24.3	24.4	23.2	21.9
Interest on Borrowed Money	9.0	9.3	9.5	6.7
	<u>33.3</u>	<u>33.7</u>	<u>32.7</u>	<u>28.6</u>
Earnings before Income Taxes, Minority Interests and Extraordinary Items	38.7	16.8	26.9	54.6
Income Taxes:				
Current	18.8	9.5	14.4	29.6
Deferred	.6	(.8)	.7	(.6)
	<u>19.4</u>	<u>8.7</u>	<u>15.1</u>	<u>29.0</u>
Earnings before Minority Interests and Extraordinary Items	19.3	8.1	11.8	25.6
Minority Interests in Earnings (Losses) of Subsidiaries	(.1)	(1.5)	.6	.6
Earnings before Extraordinary Items	19.4	9.6	11.2	25.0
Extraordinary Items	1.5	(.5)	—	—
Net Earnings for the Six Months	<u>\$ 20.9</u>	<u>\$ 9.1</u>	<u>\$ 11.2</u>	<u>\$ 25.0</u>
Net Earnings per Ordinary Share				
Earnings before Extraordinary Items	\$.93	\$.45	\$.54	\$ 1.20
Extraordinary Items	.07	(.02)	—	—
Net Earnings for the Six Months	<u>\$ 1.00</u>	<u>\$.43</u>	<u>\$.54</u>	<u>\$ 1.20</u>

NOTE: Certain figures of prior years have been restated to effect the consolidation of overseas subsidiaries.

Subject to Audit.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL

SIX MONTHS ENDED JUNE 30 (in millions of dollars)

1972 1971 1970 1969

Source of Working Capital				
Net Earnings	\$ 20.9	\$ 9.1	\$ 11.2	\$ 25.0
Non-cash Charges				
Depreciation, Depletion and Amortization	24.3	24.4	23.2	21.9
Deferred Income Taxes	.6	(.8)	.7	(.6)
Minority Interests in Earnings (Losses) of Subsidiaries	(.1)	(1.5)	.6	.6
Proceeds from Debentures and Other Long-Term Debt	—	30.0	—	.7
Equity Provided by Minority Interests (net)	30.9	1.7	(.4)	(.5)
Issue of Shares	—	—	—	.5
Realization of Funds allocated for Capital Purposes*	—	—	1.0	4.6
	<u>76.6</u>	<u>62.9</u>	<u>36.3</u>	<u>52.2</u>
Application of Working Capital				
Net Additions to Property, Plant and Equipment	39.4	12.7	20.1	33.4
Investments and Other Assets	.3	2.8	1.5	5.3
Dividends Paid	8.4	5.2	10.4	10.4
Payments of, and Current Provision for, Long-Term Debt	6.6	8.6	5.6	4.3
	<u>54.7</u>	<u>29.3</u>	<u>37.6</u>	<u>53.4</u>
Increase (Decrease) in Working Capital	21.9	33.6	(1.3)	(1.2)
Working Capital at Beginning of Period	137.5	93.7	107.3	107.9
Working Capital at End of Period	<u>\$159.4</u>	<u>\$127.3</u>	<u>\$106.0</u>	<u>\$106.7</u>

* Of this \$1.0 and \$.8 million in the years 1970 and 1969 respectively represent funds released by the trustee for the bondholders of the Alabama project.

NOTE: Certain figures of prior years have been restated to effect the consolidation of overseas subsidiaries.

Subject to Audit.

TO THE SHAREHOLDERS

Buoyant markets for lumber, panelboards, packaging products and linerboard, and slowly improving demand for pulp and newsprint resulted in a substantial profit improvement during the six months ended June 30, 1972 from the depressed level of the previous year. Sales and other income for the first two quarters of 1972 on a fully consolidated basis totalled \$446,507,200 compared with \$359,835,400 for the corresponding period in 1971, and with respect to the same periods, net earnings rose from \$9,073,924 (\$.43 per share) in 1971 to \$20,949,962 (\$1.00 per share) in 1972. The net earnings figures are after deducting \$457,000 (\$.02 per share) of extraordinary items in 1971 and after including \$1,495,000 (\$.07 per share) of extraordinary items in 1972. These extraordinary items in 1972 represent income tax reductions resulting from the application of losses carried forward from prior years in respect of certain subsidiary companies.

Although demand for the Company's products is not expected to slacken appreciably in the immediate future from the present levels, it would be optimistic to suggest that the first half year's rate of profit recovery can be maintained throughout the balance of the year. Significant loss of production has occurred since the end of the second quarter as a result of legal and illegal strike action. Furthermore, the recent Industry settlement with the International Woodworkers of America will add very materially to the Company's operating costs. The additional expense will exceed the savings which will flow from the tax relief measures set out in the Federal Budget of May 8 this year. With respect to those measures, it should be observed that the proposal to reduce by nine percentage points the tax rate applicable after 1972 to manufacturing and processing profits did not extend to income from logging operations. As a result, the effective tax relief on the profits of the forest industry will fall considerably short of a nine percentage point tax reduction.

The unsettled condition of the international money markets also continues to affect adversely the Company's profitability by reducing materially

G. B. CURRIE *Executive Vice-President,
Finance and Administration*

L. G. HARRIS *Executive Vice-President, International*

J. O. HEMMINGSEN *Executive Vice-President,
Natural Resources*



**MacMillan
Bloedel Limited**

and Subsidiary Companies

**Interim Report
to the Shareholders for**

CONSOLIDATED STATEMENT OF EARNINGS

Sales and Other Income	
Sales of Products and Services	
Other Income	
Earnings before Undernoted Items	
Depreciation, Depletion and Amortization	
Interest on Borrowed Money	
Earnings before Income Taxes, Minority Interests and Extraordinary Items	
Income Taxes:	
Current	
Deferred	
Earnings before Minority Interests and Extraordinary Items ..	
Minority Interests in Earnings (Losses) of Subsidiaries	
Earnings before Extraordinary Items	
Extraordinary Items	
Net Earnings for the Six Months	
Net Earnings per Ordinary Share	
Earnings before Extraordinary Items	
Extraordinary Items	
Net Earnings for the Six Months	

NOTE: Certain figures of prior years have been restated to effect the consolidation of overseas subsidiaries.

Subject to Audit.

the value of the Company's United States dollar earnings. It does not appear likely that this situation will improve significantly in the near term.

On June 16, 1972, MacMillan Bloedel completed the acquisition of ten container plants from the Flintkote Company. These plants — which manufacture over 3 billion sq. ft. of product each year — will add considerable strength and balance to the Company's United States operations. The investment in these plants is reflected in this report, as are the results of their operations between June 16 and June 30, 1972. Because of the shortness of that period, the effect on the Company's consolidated sales and profit was, of course, quite small.

This report also indicates a substantial increase in Minority Interests in the equity of the Company. This increase resulted chiefly from the issuance by MacMillan Rothesay Limited of \$30 million of preferred shares, the proceeds of which were used to repay an equal amount of bank borrowings.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL

Source of Working Capital	
Net Earnings	
Non-cash Charges	
Depreciation, Depletion and Amortization	
Deferred Income Taxes	
Minority Interests in Earnings (Losses) of Subsidiaries ..	
Proceeds from Debentures and Other Long-Term Debt	
Equity Provided by Minority Interests (net)	
Issue of Shares	
Realization of Funds allocated for Capital Purposes*	

Application of Working Capital	
Net Additions to Property, Plant and Equipment	
Investments and Other Assets	
Dividends Paid	
Payments of, and Current Provision for, Long-Term Debt ..	

Increase (Decrease) in Working Capital	
Working Capital at Beginning of Period	
Working Capital at End of Period	

* Of this \$1.0 and \$.8 million in the years 1970 and 1969 respectively represent funds released by the trustee for the bondholders of the Alabama project.

NOTE: Certain figures of prior years have been restated to effect the consolidation of overseas subsidiaries.

Subject to Audit.



Vancouver, Canada
August 8, 1972

Chairman

AR07



**MacMillan
Bloedel Limited**

and Subsidiary Companies

**Interim Report
to the Shareholders for
the Year Ended
December 31, 1972**

INTERIM REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 1972

The Company's efforts to regain an economic level of operation after experiencing two seriously depressed years achieved some success in 1972. The audited financial statements of the Company for the year ended December 31, 1972 will be mailed to all shareholders in March but the interim consolidated statement of earnings included in this report shows that the net earnings of MacMillan Bloedel (including extraordinary items) increased from \$25,469,025 in 1971 to \$37,658,562 in 1972. The extraordinary items in 1972 amounted to \$2,625,214 and consisted entirely of income tax recoveries resulting from the application of losses incurred by certain subsidiaries in earlier years, including start-up losses of the mill in Alabama. In 1971, the extraordinary items amounting to \$3,440,041 comprised tax loss recoveries and net gains on the disposal of certain investments and other assets.

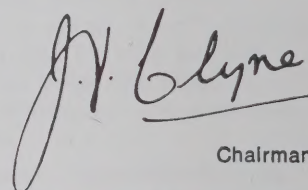
Sales and other income totalled \$967,913,032 in 1972 compared with \$779,122,975 in 1971 representing an increase of 24%. This improvement reflected a continuation throughout 1972 of the better markets for wood products, much firmer markets for linerboard and a reduction in the oversupply of pulp and newsprint which had existed for some time.

Although results for 1972 illustrate the ability of the Company to weather periods of depression without lasting damage, the consolidated net earnings for the year amounted only to \$1.80 per share. While this result represents a substantial improvement over the \$1.22 per share earned in 1971, it nevertheless falls short of the levels of return on capital which must be achieved if long-term investment interest in the forest industry is to be retained.

Current market conditions suggest that 1973 should afford opportunities for further progress, provided unduly onerous cost increases are not encountered.

Notice of the 1973 Annual General Meeting of shareholders will be mailed with the audited financial statements in March.

Vancouver, Canada
February 19, 1973


Chairman

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31
(in millions of dollars)
1972 1971

Sales and Other Income		
Sales of Products and Services	\$964.2	\$776.8
Other Income	3.7	2.3
	<u>\$967.9</u>	<u>\$779.1</u>
Earnings before Undernoted Items	\$134.8	\$108.0
Depreciation, Depletion and Amortization	49.8	50.0
Interest on Borrowed Money	17.2	18.8
	<u>67.0</u>	<u>68.8</u>
Earnings before Income Taxes, Minority Interests and Extraordinary Items	67.8	39.2
Income Taxes		
Current	32.3	23.8
Future Years	.1	(3.7)
	<u>32.4</u>	<u>20.1</u>
Earnings before Minority Interests and Extraordinary Items	35.4	19.1
Minority Interests in Subsidiaries (net)	(.3)	3.0
Earnings before Extraordinary Items	35.1	22.1
Extraordinary Items	2.6	3.4
Net Earnings	<u>\$ 37.7</u>	<u>\$ 25.5</u>
Net Earnings per Ordinary Share (dollars)		
Earnings before Extraordinary Items	\$ 1.68	\$ 1.06
Extraordinary Items	.12	.16
Net Earnings	<u>\$ 1.80</u>	<u>\$ 1.22</u>

NOTE: Certain 1971 figures have been restated to effect the consolidation of overseas subsidiaries.

Subject to audit.

Directors

- R. W. BONNER Q.C. *Vancouver, British Columbia*
President and Chief Executive Officer,
MacMillan Bloedel Limited
- ANSON BROOKS *Seattle, Washington, U.S.A.*
President, Powell River-Alberni Sales Corporation
- A. B. CHRISTOPHER *Vancouver, British Columbia*
President, Montrose Development Ltd.
- THE HONOURABLE J. V. CLYNE C.C.
Vancouver, British Columbia
Chairman of the Board, MacMillan Bloedel Limited
- G. B. CURRIE *Vancouver, British Columbia*
Executive Vice-President, Finance and Administration,
MacMillan Bloedel Limited
- L. G. HARRIS *Vancouver, British Columbia*
Executive Vice-President, International,
MacMillan Bloedel Limited
- J. O. HEMMINGSEN *Vancouver, British Columbia*
Executive Vice-President, Natural Resources,
MacMillan Bloedel Limited
- G. H. D. HOBBS *Vancouver, British Columbia*
Executive Vice-President, Cominco Ltd.
- J. N. HYLAND *Vancouver, British Columbia*
Chairman, Board of Directors, Pacific Press Limited
- N. J. MCKINNON *Toronto, Ontario*
Chairman, Canadian Imperial Bank of Commerce
- J. M. MEYER C.B.E. *London, England*
Chairman and Managing Director,
Montague L. Meyer Limited
- H. T. MITCHELL *Vancouver, British Columbia*
President, Mitchell Press Limited
- J. E. RICHARDSON *Vancouver, British Columbia*
Chairman of the Board,
President and Chief Executive Officer,
British Columbia Telephone Company
- I. D. SINCLAIR Q.C. *Montreal, Quebec*
Chairman and Chief Executive Officer,
Canadian Pacific Limited
- G. T. SOUTHAM *Vancouver, British Columbia*
President, Pioneer Envelopes Ltd.
- J. A. TAYLOR *London, Ontario*
Chairman, Canada Trust
- D. W. TIMMIS *Vancouver, British Columbia*
Executive Vice-President, Operations,
MacMillan Bloedel Limited
- FREDERICK WILSON *Spokane, Washington, U.S.A.*
Investment Counsel
- C. B. WRIGHT *Seattle, Washington, U.S.A.*
President, Pentagram Corporation

Honorary Directors

- H. R. MACMILLAN *Vancouver, British Columbia*
W. J. VANDUSEN *Vancouver, British Columbia*

Executive Committee

- THE HONOURABLE J. V. CLYNE C.C. (*Chairman*)
R. W. BONNER Q.C.
G. B. CURRIE
G. H. D. HOBBS
J. N. HYLAND
J. E. RICHARDSON
D. W. TIMMIS
C. B. WRIGHT

Officers

- THE HONOURABLE J. V. CLYNE C.C. *Chairman of the Board*
R. W. BONNER Q.C. *President and Chief Executive Officer*
G. B. CURRIE *Executive Vice-President,*
Finance and Administration
L. G. HARRIS *Executive Vice-President, International*
J. O. HEMMINGSEN *Executive Vice-President,*
Natural Resources
D. W. TIMMIS *Executive Vice-President, Operations*
H. R. CHISHOLM *Group Vice-President, Logging*
J. R. FORREST *Group Vice-President, Building Materials*
B. I. HOWE *Group Vice-President, Pulp and Paper*
H. V. TOWNSEND *Group Vice-President, Packaging*
R. M. BIBBS *Vice-President, Industrial Relations*
C. G. CHAMBERS *Vice-President, Banking and Investment*
P. M. DOWNES *Vice-President, Corporate Communications*
R. L. GILLEN *Vice-President,*
Strategic Planning and Development
F. H. BRITTON Q.C. *Secretary and General Counsel*
DR. L. A. COX *Director of Research*
K. G. BOYD *Vice-President, Wood Supply*
C. M. DEE *Vice-President and General Manager, Panelboards*
J. H. LAWSON *Vice-President and General Manager,*
Lumber and Shingles
A. C. MCGOUGAN *Vice-President, Pulp and Paper Sales*
J. S. ROGERS *Vice-President, Manufacturing, Pulp and Paper*
R. V. SMITH *Vice-President, Marketing, Pulp and Paper*
T. P. BOYLE *Corporate Controller*
I. S. BRAND *Director, Far Eastern Development*
J. G. DICKINSON *Director, Strategic Planning and Development*
D. H. FRICKER Q.C. *Corporate Solicitor*
E. G. LEGG *Treasurer*
A. P. MACBEAN *Chief Forester*
D. H. PARKINSON *Director, Financial Services*
J. G. C. CUNNINGHAM *Assistant Secretary*
R. D. MACFAYDEN *Assistant Secretary*

Registrars and Transfer Agents

- THE ROYAL TRUST COMPANY *Vancouver*
THE CANADA TRUST COMPANY
Calgary, Regina, Winnipeg, Toronto, Montreal
THE CHASE MANHATTAN BANK *New York*

Auditors

- PRICE WATERHOUSE & CO. *Vancouver*

